Inc.

The Magazine for Growing Companies

Built to Last Forever

Secrets of the world's longest-running growth companies

Page 48

HOW I GOT STARTED

The "aha" moments that launched

Spanx
Five Guys
Flipboard
Klout
& more

PAGE 28

Sara Blakely, founder and CEO, Spanx

+

Richard Branson
Barbara Corcoran
John Mackey
Drew Houston
Guy Kawasaki

and their single most trusted employee

Page 56

The solo entrepreneur's survival guide

Page 22

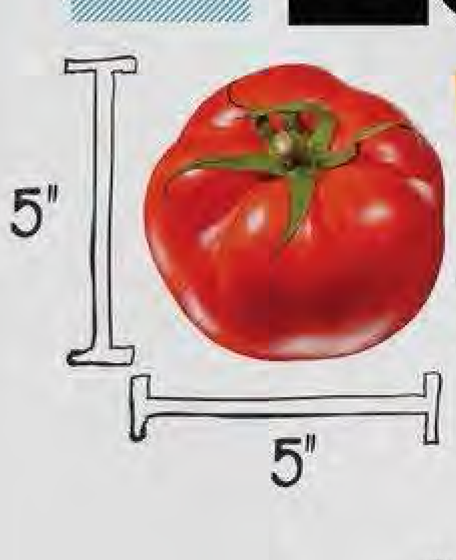
INTRODUCING THE ALL-NEW TRANSIT CONNECT

THE NUMBERS DON'T LIE

1 1.6-LITER ECOBOOST® ENGINE

Our latest addition to the available EcoBoost line of proven engines has both best-in-class 178 horsepower* as well as highway and combined fuel economy.** If you have a *shuttle full of travelers* with flights to catch, you can whisk them to their terminals reliably and economically.

2 130.7 CU. FT. OF CARGO



Got a load of heirloom tomatoes to deliver?
The Transit Connect van can hold 8 more cubic feet of them than its closest competitor. That translates into roughly 120 more tomatoes per trip. And with a best-in-class payload rating of 1,710 lbs.,† those tomatoes can be really heavy.

3 BEST-IN-CLASS

HWY FUEL ECONOMY

may save you money and time at the pump.

An *agricultural veterinarian* can tend patients from one end of the county to the other.

*Horsepower achieved using 93-octane premium fuel. Class is Small Cargo Vans. **Class is Small Cargo Vans. EPA-estimated rating of 22 mpg city/29 mpg hwy/25 mpg combined for wagon with 1.6L EcoBoost engine. Actual mileage will vary. †When properly equipped. Class is Small Cargo Vans. ††Class is Small Cargo Vans. Available early 2014.

4

2 SLIDING DOORS

Easy in and out from either side. If you're **installing custom cabinets for urbanites,** you can spend less time in the van getting your tools and supplies and more time using them. You always have a door on the side with the best access to your job site too.

INFINITE POSSIBILITIES

Outside, it's easy to wrap the Transit Connect any way you like to create your very own sleek, modern **mobile business card.** Inside, you can have your choice of the wagon, with the most seating configurations in its class.†† Or choose the van, with cargo space that's easily customized to suit your unique needs and preferences, whether you're a **musician** with instruments and amps or a **fishing guide** with anglers and tackle.

YOU OWN THE BUSINESS

NOW OWN THE WORK

SO DO THE MATH: No two businesses are exactly alike, but the new Transit Connect adds up for all of them with best-in-class horsepower* and the most configurations in its class†† in a compact, nimble package. Throw in reliability that's earned the Built Ford Tough® badge, and you've found the van with all the answers.

THE 2014 TRANSIT CONNECT

BUILT Ford TOUGH

"Growing up, we didn't have a lot of money, but my mother always grew her own vegetables. Now we're bringing generations together...helping thousands of families help themselves with **Grow Appalachia's** community gardens."

John Paul DeJoria, CEO and Co-founder
Photographed with his daughter and grandchildren

"FUBU STARTED WITH
JUST A COUPLE OF MY FRIENDS
AND AN ORIGINAL IDEA.
SEE HOW FAR YOUR
ORIGINAL IDEA CAN GO."
DAYMOND JOHN
'Shark Tank' investor.
Founded FUBU with
his friends.
GREAT BEER
GREAT RESPONSIBILITY.
©2014 MILLER BREWING CO., MILWAUKEE, WI


Rediscover
the lost art


Hello Tomorrow
Emirates
Fly in comfort to somewhere outside your comfort zone
Visiting somewhere new isn't just a vacation, it's an adventure. Experience your trip of a lifetime with Skytrax Airline of the Year. Enjoy globally inspired cuisine, up to 1600 channels of inflight entertainment, and relax on your lie-flat seat in business class.
Now flying to over 135 destinations worldwide, with 31 destinations in Asia.
emirates.com/us
"Airline of the Year" 2013 Skytrax World Airline Awards

02.14

Contents

"There's never a dull moment with Barbara."

– GAIL ABRAHAMSEN (top), executive assistant to Barbara Corcoran, in New York City

PG. 56

PHOTOGRAPH BY **GUS POWELL**

YES, WE CAN Frank Blase, CEO of German manufacturer Igus, empowers workers to make most decisions—unless it means turning down a customer request.

Features

ON THE COVER SARA BLAKELY, CEO AND FOUNDER OF SPANX, PHOTOGRAPHED IN ATLANTA BY JILL GREENBERG

THIS PAGE: OLAF BLECKER; COVER: STYLING: JABE MABREY; GROOMING: JESSICA GOLDSTEIN


A NO-BRAINER THAT'LL HAVE YOU LOOKING LIKE A GENIUS.
THE ALL-NEW 2014
COROLLA
·CONTEMPORARY STYLING·HIGH-TECH AMENITIES·RENOWNED DURABILITY
Look smart with the all-new 2014 Corolla. With everything it has to offer, choosing the right fleet vehicle has never been easier. For more information, visit fleet.toyota.com.
TOYOTA FLEET
TOYOTA
Let's Go Places
Prototype shown with options. Production model will vary. ©2013 Toyota Motor Sales, U.S.A., Inc.


24

Departments

90


26

CLOCKWISE FROM TOP LEFT: COURTESY COMPANY; MICHAEL HOEWELER; JONATHAN SELKOWITZ/SELKO PHOTO

CONTENTS

INC.COM/LEAD

3 Signs That You're a Martyr, Not a Leader

Are you most comfortable when you're feeling overwhelmed? You may be what *Inc.* columnist Les McKeown calls a martyr-leader. Here are three telltale signs.

Inc.com

1

YOU'RE A BOTTLENECK...AND YOU SECRETLY LIKE IT.
Martyr-leaders have unfulfillable commitments, impossibly Herculean to-do lists, and triple-booked schedules—all for the purpose of generating the warm, comforting glow of indispensability.

2

YOUR DEFAULT MOOD IS SELF-PITY.
Watch a martyr-leader as he goes about his daily business, and you will find two primary attitudes on display: *poor me* and *head-shaking sigh*.

3

YOU EXUDE LEARNED HELPLESSNESS.
Martyr-leaders live in a self-taught state of mind wherein nothing is ever truly fixable and everything is a mess—and expect the rest of us to feel the same.

Go Beyond the Page

You'll find the icon at the left on selected pages throughout the issue. That's your signal to grab your smartphone or tablet and go deeper with the content on the page. Here's how:

1. **Download the free Layar app from the Apple or Android store or at *layar.com*.**
2. **Launch the app and scan any page carrying the icon.**
3. ***Inc.* videos and other bonus content will instantly appear on your mobile device.**

TOP VIDEOS on Inc.com

INC.COM/IDEALAB

Vivek Wadhwa
Entrepreneur and vice president of Singularity University

ON IMMIGRATION AND ENTREPRENEURSHIP

"It's very simple. If we issue more green cards, we'd immediately boost the economy."

INC.COM/INC-LIVE

Julie Rice and Elizabeth Cutler
Co-founders of SoulCycle

ON EXPANDING A BRAND

"Employee training is the key to scaling every part of a business."

PAUL HARDY/GETTY

Inc.

EDITOR ERIC SCHURENBERG

DEPUTY EDITOR, STRATEGY AND BUSINESS DEVELOPMENT INC.COM ALLISON FASS **EXECUTIVE VICE PRESIDENT, BUSINESS DEVELOPMENT** ROBERT LAPOINTE
MANAGING EDITOR JANICE MALKOTSIS
EXECUTIVE EDITORS LARRY KANTER, SCOTT LEIBS, LAURA LORBER
ARTICLES EDITOR BOBBIE GOSSAGE **ARTICLES EDITOR, INC.COM** DIANA RANSOM
SENIOR EDITORS LINDSAY BLAKELY, DOUG CANTOR, NADINE HEINTZ
STAFF EDITOR KASEY WEHRUM **ASSOCIATE EDITOR** JILL KRASNY
SAN FRANCISCO BUREAU CHIEF NICOLE CARTER
EDITORS-AT-LARGE WILL BOURNE, LEIGH BUCHANAN, BO BURLINGHAM, TOM FOSTER, HANK GILMAN, KIMBERLY WEISUL
SENIOR WRITERS BURT HELM, CHRISTINE LAGORIO-CHAFKIN, ILAN MOCHARI
STAFF WRITERS ISSIE LAPOWSKY, JEREMY QUITTNER, ADAM VACCARO
REPORTERS CAROLYN CUTRONE, LAURA MONTINI, ABIGAIL TRACY, WILL YAKOWICZ

CREATIVE DIRECTOR BLAKE TAYLOR
PHOTOGRAPHY DIRECTOR TRAVIS RUSE
ART DIRECTORS SARAH GARCEA, KRISTIN LENZ
DEPUTY PHOTO EDITOR HEIDI HOFFMAN **ASSISTANT PHOTO EDITOR** MONICA SIWIEC **EDITORIAL DEVELOPER** JOEL FROUDE
VIDEO EDITOR ANDREW MACLEAN **VIDEO PRODUCER** TIM RICE
COPY CHIEF PETER J. McLAUGHLIN **COPY EDITOR** PAM WARREN
PRODUCTION DIRECTOR RACHEL MOSKOVITZ-ABRAHAM **PRODUCTION ASSOCIATE** DOMINICK SANTISE

SENIOR CONTRIBUTING EDITOR NORM BRODSKY
CONTRIBUTING EDITORS ADAM BAER, JEFF BAILEY, JOHN BRANDON, DARREN DAHL, MARK DWIGHT, DONNA FENN, DAVID H. FREEDMAN, JASON FRIED, JEFF HADEN, BILL HARRIS, MEG CADOUX HIRSHBERG, ERIC PALEY, LIZ WELCH

GROUP PUBLISHER, INTEGRATED MARKETING JOHN M. TEBEAU
CATEGORY DEVELOPMENT DIRECTOR REG UNGBERG
SALES MANAGER KERI HAMMER
NEW YORK CHRIS ANDREWS, DAN HOROWITZ, ANITA PAI: 212-389-5300
SENIOR ADVISOR IRVIN V. FALK
FRANCHISE SECTION MANAGER DAVID DeSIMONE
ATLANTA LORETTA ANDERSON, MARK ANDERSON: 404-264-8989
CHICAGO ANNETTE PARKER, STEVE NEWMAN: 312-494-1919
DALLAS STEVEN G. TIERNEY: 972-625-6688
DETROIT GEORGE WALTER: 248-205-3900
LOS ANGELES/SOUTHERN CALIFORNIA HEATHER McLAUGHLIN, RICHARD L. TAW III: 310-341-2341
PACIFIC NORTHWEST JULIE CHISAR, ALICIA GAMBLE: 415-343-1530
INTERNATIONAL JOHN M. TEBEAU: 212-389-5360
CLASSIFIEDS ANN MARIE JOHNSON: 727-507-7505
FRANCHISE AND MARKETPLACE TOM EMERSON: 212-655-5220

INC. LIVE
DIRECTOR, STRATEGIC PARTNERSHIPS AND EVENTS LYNN SHAFFER
SENIOR EVENT PRODUCER TENNILLE M. ROBINSON
MANAGER, TALENT AND CONTENT DEVELOPMENT JUSTIN A. DeFREECE
EVENTS COORDINATOR SHANNON BYRD

BUSINESS RESOURCES
DIRECTOR OF BRAND AND AUDIENCE DEVELOPMENT ANNI LAYNE RODGERS
DIRECTOR OF OPERATIONS DARCY LEWIS
DIRECTOR, CONTENT DEVELOPMENT JON FELD
SALES DEVELOPMENT DIRECTOR JENNIFER HENKUS
INTEGRATED MARKETING MANAGERS NEIL JONES, MARY MOORE
SENIOR ACCOUNT MANAGERS BILLIE GIBSON, KYRA SHAPURJI
ACCOUNT MANAGER CELESTE GARCIA

GROUP VICE PRESIDENT, MARKETING PATRICK HAINAULT
EVENTS MARKETING MANAGER MARCIE ROSENSTOCK
ASSOCIATE MARKETING MANAGER LINDA LAU
ASSISTANT MANAGER, OUTREACH AND OPERATIONS MICHAELA ROSMARIN
DESIGN MANAGER HOJOON JON
DESIGNER MYUNG-HUN JIN
RESEARCH MANAGER BEN O'HARA

PRODUCTION
GROUP DIRECTOR KATHLEEN O'LEARY
ADVERTISING OPERATIONS MANAGER SUNG WOON KIL
GROUP MANAGER JANE HAZEL
FINANCE MANAGER BOB BRONZO
ASSOCIATE MANAGER DAVE POWELL

CONSUMER MARKETING
DIRECTOR ANNE MARIE O'KEEFE
CIRCULATION OPERATIONS DIRECTOR DOUG SMITH
SENIOR MANAGERS TYLER ADAMS, KATHRYN C. KMIOTEK
MANAGER MICHELLE TRIGOSSO

DIGITAL
GROUP PUBLISHER, DIGITAL WHELAN MAHONEY
SENIOR ACCOUNT EXECUTIVE AMY CHRISTIANSEN
DIGITAL PROJECT MANAGER/ANALYST YOUNG-JOHN TUNG

GROUP DIRECTOR, DIGITAL DEVELOPMENT JASON TAGG
DESIGN DIRECTOR HAEWON KYE **SENIOR ART DIRECTOR** JANET WAEGEL
SENIOR DEVELOPER JOHN GUARAGNO
DEVELOPERS SEAN CONNER, SHASHANK KODURUGANTI
PRODUCTION DESIGN SPECIALIST ADAM KELLY

DIGITAL MEDIA AND OPERATIONS
GROUP DIRECTOR STEVEN SUTHIANA
ASSOCIATE DIRECTOR JONELLE MARINO LASALA
ASSOCIATE MANAGER, DIGITAL BUSINESS SELIN ERDINC
COORDINATORS, ANALYTICS AND BUSINESS OPERATIONS JAMES VAN SWERINGEN, WILLIAM WON
SENIOR MANAGER, REVENUE OPERATIONS DAVID VASQUEZ
ASSOCIATES, REVENUE OPERATIONS RIAN ROONEY, COSIMA TRAVIS
CONSULTANT DAVID ROSENBAUM

ACCOUNTING
CONTROLLER EVE PAI
ACCOUNT MANAGER JACQUELINE NURSE
STAFF ACCOUNTANT SHARITA NEVERSON
ACCOUNTS PAYABLE MANAGER MARILOU ORDILLAS
PAYROLL MANAGER/ACCOUNTANT CHAREYL RAMOS

MANSUETO VENTURES LLC
CHAIRMAN JOE MANSUETO
CHIEF FINANCIAL OFFICER MARK ROSENBERG
DIRECTOR, HUMAN RESOURCES MILES M. MERWIN
DIRECTOR, FACILITIES RANDY DAVIS
EXECUTIVE ASSISTANT LORI PLEVRITES
RECEPTIONIST/FACILITIES ASSISTANT SMRITHY THOMAS

HOW TO REACH US

SUBSCRIPTION SERVICE:
Inc., P.O. Box 3136, Harlan, IA 51593-0202
800-234-0999 or icmcustserv@cdsfulfillment.com
OFFICE OF THE PUBLISHER:
7 World Trade Center, New York, NY 10007-2195
212-389-5300; www.mansueto.com
EDITORIAL PHONE: 212-389-5377 **FAX:** 212-389-5379 **WEB:** www.inc.com
LETTERS TO THE EDITOR: mail@inc.com **PERMISSIONS:** permissions@inc.com
INC. 500/INC. 5000 INFORMATION: feedback5000@inc.com
REPRINTS: 800-290-5460 ext. 128 or increprints@theygsgroup.com
BACK ISSUES: 800-234-0999

www.inc.com/customercare

Research new investments

Evaluate your portfolios

Monitor the markets

Introducing Morningstar® for iPad®. Investment discoveries are at hand.

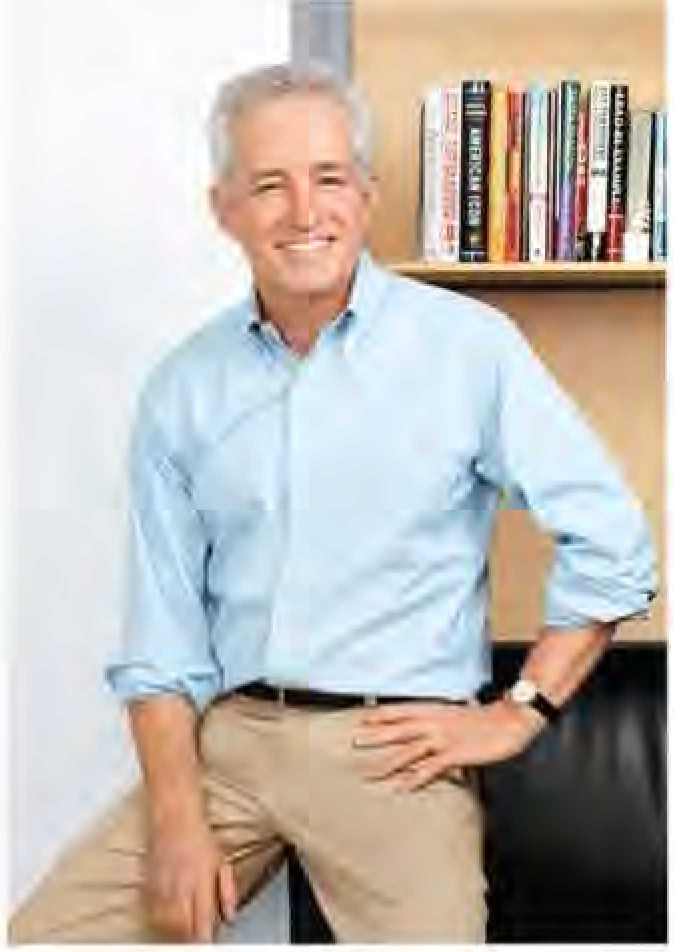
Morningstar® for iPad® combines everything you need to uncover new investment ideas, in an elegant interface designed exclusively for your iPad. Our app will help you better understand your portfolios and add market context to your strategies. With Morningstar insights, leading information design, and curated news and video, Morningstar for iPad helps you find new perspective on your investments.

MORNINGSTAR®

Download on the App Store

WELCOME

Once Upon a Time: Tapping the Power of Your Creation Story



THERE ARE SAID to be only a handful of plot lines in all of world literature—as few as seven or as many as 20, depending on which comp-lit professor is counting. Though the canon of business-startup tales isn't exactly literature, I count at least three standard narratives. There's Rags to Riches, in which a founder takes an ordinary business and drives it to greatness by sheer entrepreneurial fire in the belly. (Think Sam Walton or, more recently, Gary Vaynerchuk.) Then there's We Built It. They Came, in which the founder creates something to please himself or herself and finds customers lined up at the door. (Think Howard Schultz or, more recently, Mark Zuckerberg.) Most common, perhaps, is We Saw a Need. We Filled It. That's the one that applies to our cover subject, Sara Blakely, who found she didn't like how she looked in white slacks and invented Spanx, a product that solved the problem—for herself and millions of other suddenly slimmer women.

Whatever your company's founding tale, you ought to recognize it as the asset it is—a point *Inc.'s* Adam Bluestein makes repeatedly in his feature, which starts on page 28. Your story defines, for customers and employees, what you stand for. (*"Since the beginning, we've been so fanatically dedicated to value that you can always count on us for everyday low prices."*) It provides an emotional connection with your audience and a link with employees as the company grows. (*"We started out to create sophisticated coffee and a cozy place to hang out; that's what we still deliver."*) If your story subtly conveys your passion for your company and your own resourcefulness, your founding legend can melt the hearts of even steely bankers and VCs. Literature is fine, but it can't raise Series A funding for you.

While we're on the topic of founding stories, it seems appropriate to pull out *Inc.'s* own. In our 10th-anniversary issue, founder Bernie Goldhirsh wrote about trying to find information to help him run his own small business, *Sail* magazine, and finding nothing that spoke to him. "That's when I knew I had to start this magazine," he wrote. He then talks about *Inc.'s* approach:

> *[It would see entrepreneurship] as a means of creative expression. An entrepreneur uses the elements of business to create a company much as a writer uses words to create a story. Then, as a business grows, the company builder can set up an environment in which others can find fulfillment through the expression of their creativity and intelligence. That belief has always informed the magazine.*

THAT WAS IN 1989, but the vision still holds. *Inc.* is, and has always been, about your company's story—however it began—and about helping you make it unfold successfully.

Eric Schurenberg erics@inc.com


IS OLD TECHNOLOGY
THE WEAKEST LINK
IN YOUR IT CHAIN?
Ethernet is a dynamic network technology that drives your computing and storage applications—now and in the future. Don't let old technology hold you back. With its intelligence and flexibility, Ethernet is a strategic IT enabler, a game changer. Comcast Business has one of the largest Ethernet footprints in the country and dedicated support for businesses. An industry leader, Comcast Business was awarded the 2013 North American Service Provider of the Year by the Metro Ethernet Forum.
BUSINESS.COMCAST.COM/ETHERNET
866-429-2241
COMCAST BUSINESS
B4B
BUILT FOR BUSINESS™
Restrictions apply. Not available in all areas.
Call for details. Comcast © 2014. All rights reserved.

Survival tips for solo entrepreneurs **PG.22** From visionary to leader **PG.43**

Launch

Startup Success.

"I kept spinning in circles until I finally decided to pitch the company I originally wanted to build."

—JOE FERNANDEZ, CEO of Klout, on how he got started

PG. 38

PHOTOGRAPH BY **GABRIELA HASBUN**

Some of the most recognizable brands were started by solo entrepreneurs. Here are a few:

Steve Ells
CHIPOTLE

A trained chef with dreams of opening his own gourmet restaurant, Ells started his first Chipotle as a way to generate some quick cash to fund that dream.

Margaret Rudkin
PEPPERIDGE FARM

Pepperidge Farm was born when Rudkin, a 40-year-old mother of three, created a whole-wheat bread recipe for a son of hers with severe allergies.

Tip Sheet

GOING IT ALONE

Starting a business without a partner? Not everyone thinks it's a good idea. Here's what you need to keep in mind if you decide to go solo

SEARCH FOR THE WORDS *single founder* on Google, and what you find might be disheartening: a blog posting by Y Combinator founder Paul Graham on the 18 mistakes that kill startups. *Single Founder* tops the list. Graham's take is that the absence of partners is akin to a vote of no confidence in the company, signaling that the entrepreneur couldn't talk any of his friends or colleagues into getting involved.

Yeah, well, maybe sometimes. In reality, the honor roll of entrepreneurship is full of companies launched by single founders. And not every investor agrees with Graham. PrivCo, a New York City–based financial research firm specializing in privately held companies, found in a recent study that 44 percent of startups that raised $25 million or more in funding were run by a single entrepreneur. "Solo founders do quite well at raising money," says PrivCo's CEO, Sam Hamadeh (who, incidentally, co-founded the career site Vault but launched PrivCo alone).

Still, if you go it alone, you do need to be aware of certain issues. Loneliness is a big one. "There can be a lot of negative thinking when you're in your basement, coding all day long," says Corey Post, founder of AgileLeverage.com, a content-marketing-strategy firm based in Durham, North Carolina. So, get up from the desk once in a while. Go to industry conferences and attend local meetups with other entrepreneurs.

Myopia is another hazard. Without constant reality checks from a co-founder, it's easy to fall in love with your own plans and waste resources on bad ideas. Setting up an active advisory board of startup veterans can help you avoid that trap, says Bruce Bachenheimer, a management professor who runs the Entrepreneurship Lab at Pace University. He's talking about the kind of people who will ask in-your-face questions that you—and, later, your employees—might be afraid to pose, such as: "Why are you putting all your time into this?" "How come we're not going after a different client?" "Shouldn't we be raising our prices and investing in infrastructure?"

When it comes time to recruit people to be on your advisory board, VC Mark Suster suggests asking potential advisers to put up a small investment in your company. As crazy as that sounds, he says that an adviser with some skin in the game will be more emotionally involved and add more value.

If you do want to raise angel or VC money, though, you probably will need to prove yourself more than you might as a member of a larger team. At Y Combinator, Graham's wife and business partner, Jessica Livingston, says, "I want to be clear that we definitely fund people who are solo founders." But given the rigors, and ups and downs, of running a startup, she says, "this person has to be superdetermined, a superhustler."

And you definitely need to show you can draw other talented people to your idea and get them to join you. "We're trying

1.
BE HONEST WITH YOURSELF.
Some entrepreneurs need a partner to avoid loneliness, depression, and inertia.

2.
SET UP A BOARD OF OUTSIDE ADVISERS.
You'll need a sounding board to talk through big decisions, and employees can't afford to be as candid as you'd like.

3.
BE PREPARED TO PROVE YOURSELF.
Many investors are skeptical of solo founders. To win them over, you'll need to show them you're superhuman.

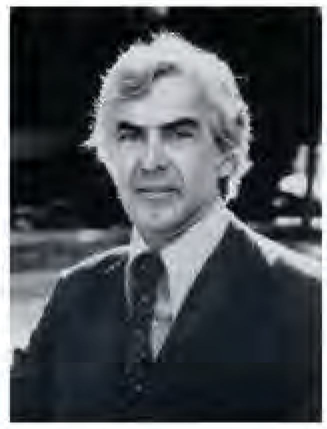
FROM LEFT: BEN GABBE/GETTY IMAGES

Michael Dell
DELL

Dell launched his computer company from his University of Texas dorm room. After a heated battle with investors, he recently closed a $25 billion deal to take Dell private.

Anita Roddick
THE BODY SHOP

With her husband away on a 10-month trek, Roddick founded The Body Shop as a way to support herself and her two daughters.



John DeLorean
DELOREAN MOTOR COMPANY

Once considered a shoo-in to take the helm at General Motors, DeLorean left to start his iconic car company. His cocaine arrest finished it.

CLOCKWISE FROM TOP LEFT: JUSTIN SULLIVAN/GETTY; GETTY; AP; GETTY; ADAM VOORHES/GALLERY STOCK

to back companies that can scale and grow," says Peggy Wallace, managing partner at Golden Seeds, a New York City–based early-stage investment firm. "That's going to take people. We want to see that other people believe in the idea of the company and believe in the leader." —ELAINE POFELDT

ALL TIED UP Is your startup partner slowing you down?

NORM'S TAKE
PARTNERS HAVE PROBLEMS, TOO

I didn't have partners when I started my first two companies, but I did by the time I sold those companies, and I have partners in the two businesses I'm most involved with today. So I don't have anything against partnerships per se. But I disagree strongly with those who insist that a first-time entrepreneur must have a partner when starting out. Inexperienced entrepreneurs are far more likely to get in trouble by making someone a partner for the wrong reason than by going it alone. By *the wrong reason*, I mean doing it because the person has a certain expertise that you lack—typically, in financial matters—or simply because you don't want to be alone.

I'm not saying that you shouldn't hire people who have special expertise or reward people who make special contributions. I also know how lonely the entrepreneurial path can sometimes be. But none of those reasons justify making someone a partner.

There is no more expensive way to finance a business than by giving away equity, although you probably won't realize it until your business succeeds. Bear in mind also that you don't really know people until you've worked with them for several years. Giving equity to the wrong person will wind up creating all kinds of problems that will distract you from what you should be doing—namely, building the business.

Startup wisdom from senior contributing editor and veteran entrepreneur Norm Brodsky. Please send queries to asknorm@inc.com

Marketing Like an Arrogant Bastard

Stone Brewing shows that you don't need ads when you've got attitude

AMERICA'S LOVE AFFAIR with craft beers was still in its infancy when Greg Koch and his partner, Steve Wagner, started Stone Brewing in 1996. At that point, many Americans had never heard of craft beer, much less tasted it. To make matters worse, the majority of people who tried Stone's strong brews found them unpalatable. "It was too intense for them," says Koch, the CEO of the Escondido, California–based company. With no money in the budget to spend on advertising and a public unfamiliar with the product, the company faced a hard road winning customers. Rather than tone down their beer, Koch and Wagner amped up the attitude and created a brand that took pride in being outside the mainstream. Stone found a following among craft-beer enthusiasts and is now the 10th-largest craft brewer. Below, Koch shares his tips for building a $100 million business without spending a dime on advertising.
—ROBIN D. SCHATZ

STONE BREWING
Escondido, California
2013 Inc. 5000 rank: **2,976**
Three-year growth rate: **114%**
2012 revenue: **$103.4 million**
2012 employees: **505**

1

ATTITUDE IS EVERYTHING

Rather than try to downplay the public's early reaction to their beer, Koch and Wagner wore it as a badge of honor. Besides giving one of their earliest brews the eyebrow-raising name Arrogant Bastard Ale, they proudly stated on the beer's label, *This is an aggressive beer. You probably won't like it.* The strategy created a deep loyalty among the drinkers who did like it. Koch likens his branding philosophy to that of the heavy-metal group Metallica. "Metallica never cared if you didn't like Metallica," he says.

2

PICK A FIGHT

Stone revels in its anti-corporate, iconoclastic image. "We enjoy poking fun at sheeplike consumerism and taste," Koch says. Part of that means throwing some playful barbs at the giants in the industry, such as Budweiser and Coors. Stone's T-shirts and stickers carry the slogan: *Fizzy yellow beer is for wussies.* And Koch himself frequently takes up the cause against mass-market brews. "I'm picking a fight with mediocrity," he says. "I'm picking a fight with the idea that beer is nothing more than the industrialized stuff of the TV commercials."

3

DON'T FIT IN

When Stone's brews first hit retail shelves, the company chose to sell its beer in what the industry calls bomber bottles—22-ounce containers that stand out against traditional 12-ounce bottles. Koch says it was a good package size for people who might want to try the beer for the first time. Selling single bottles also allowed Stone to give its beers a premium price, along with a higher profit margin. "For a young brewery trying desperately to find its way to breakeven, it was a smart move for us," Koch says.

4

ALLY WITH OTHER OUTCASTS

From the beginning, Koch realized a rising tide would lift the whole nascent craft-brew industry. In 1997, he co-founded the San Diego Brewers Guild, an organization created to promote and educate the public about locally brewed beers. Today, San Diego boasts more than 80 craft brewers. "We took a bit of a leadership position," Koch says. "It fostered a competitive industry." Stone also carries its competitors' beers as part of its distribution business and keeps them on tap at its two Southern California restaurants.

SO YOU CAN

snap, tag, file, and get back to business.

MANAGE YOUR RECEIPTS WITH THE GAME-CHANGING APP FROM INK®.

Take a picture of your receipts with your smartphone.
Tag and file them instantly. Learn more at **chase.com/INK**

CHASE

OLYMPIC METTLE

Innovation, at Breakneck Speeds

How an Olympic skier/entrepreneur aims to gain an edge at Sochi

ALPINE SKIER TED LIGETY won't just be representing the United States at this month's Winter Olympics in Sochi, Russia. He will also be representing Shred, the ski-equipment company he co-founded in 2006. Ligety, who won gold in the alpine combined event at the 2006 Winter Olympics, launched Shred with Carlo Salmini, a materials engineer, to create high-performance ski gear with the right measure of style. The yin-yang of engineer and athlete has created an innovative approach to product development at Shred. Ligety leads the initial design and development phase by dissecting the pain points racers face with their equipment. Salmini then crafts the technology. "I make the prototype, then Ted takes it out to test at high speeds and in rough conditions," says Salmini. Shred's goggles (seen here on Ligety) are a good example. At high altitudes, the low air pressure can warp goggles, distorting a skier's vision. To combat this, Salmini added filters to the lenses that allow air to pass through, equalizing pressure while keeping moisture out. Shred's entire production process is designed to go from initial idea to finished product in just six weeks. Fast. Like Ligety. —WILL YAKOWICZ

AGENCE ZOOM

SCAN THE PAGE TO WATCH TED LIGETY HARD AT WORK.
(See page 14 for details.)

"My priority is skiing fast, but I think that's in line with what's good for our business. The better I do, the more exposure we get."

—TED LIGETY,
seen here in action—along with Shred goggles—at the Audi FIS Alpine World Cup in Sölden, Austria

IN THE BEGINNING...

A well-honed founding story can help you connect with investors, employees, and consumers—and, with any luck, keep them listening.

By Adam Bluestein

Photograph by **JILL GREENBERG**

SARA Blakely had her product—an undergarment that smoothed the contours of a woman's body, making clothes more flattering and comfortable. But she had yet to make her first sale. She managed to land a meeting with a buyer at a Neiman Marcus store in Dallas. Clad in a pair of form-fitting white pants, Blakely invited the buyer to join her in the ladies' room, where she proceeded to demonstrate the difference in the way the pants looked—with her undergarments, which she

SARA BLAKELY,
Founder and CEO, Spanx

"One day I cut the feet out of a pair of pantyhose. That was my 'aha' moment."

(page 32)

had dubbed Spanx, and without. Three weeks later, Spanx was on the shelves. She pulled the same stunt with buyers for Bloomingdale's, Saks, and Bergdorf Goodman. "I wore those white pants for three years to sell Spanx," Blakely says.

The tale of the white pants has become a key component of the Spanx story, and Blakely still loves to tell it. And why not? It continues to embody the powerful, $250 million brand she went on to create. "Women have been neglected as customers," she says. "We have been told that beauty is pain. I call that BS—Before Spanx."

BEFORE IT HAS investors, customers, profits, press coverage, or even a perfected product, every startup has at least one valuable asset: its story. So you might want to ask yourself: Who are you?

"In a world where people have a lot of choices, the story may be the deciding factor."

Where did you come from? Why are you doing this?

Even if you're answering these questions only for yourself, your co-founders, or the guy sitting next to you on the plane (hey, he asked), your company's origin story has more power than you might imagine. And that's true whether it begins in a garage (à la Hewlett-Packard, Apple, and Google), a dorm room (Dell), the streets of a far-off country (Toms Shoes), or the offices of a former employer (most everyone else).

"I'm hard-pressed to think of a company that doesn't have an interesting foundational story," says Paul Smith, an executive coach, former director of market research at Procter & Gamble, and author of *Lead With a Story*. "But I suspect there are many that haven't crafted and told theirs. And they're important. People want to be part of something bigger than themselves. A nameless, faceless corporation with no real purpose, no story, is not an inspiring place to be."

The creation myth is not an asset just for startups. As those businesses grow into established firms and individual founders figure less prominently, the origin story can serve as both a road map and moral compass. Keeping that story alive, keeping it true, and keeping it relevant—these are the challenges more mature businesses must contend with.

"In a world where people have a lot of choices, the story may be the deciding factor," says Nick Morgan, a communications consultant and author of *How to Tell Great Business Stories*.

This is especially true of investors. "We are trying to understand the source of the founders' passion," says David Cohen, co-founder of Techstars, a startup accelerator with programs in seven cities worldwide that has provided the launching pad for more than 250 companies. "Why do you care so much? It might be a personal connection to the problem or just a strong vision of a different or better world. If it's 'for the money' or 'because it's a big business,' that's poor motivation. It won't sustain most people through the

Mike McCue

"The original story keeps evolving, but the vision is the same."

FLIPBOARD
Palo Alto, California
Makes personalized digital magazines

THE idea for Flipboard was to take Web content and repackage it to look and feel like a personalized magazine. Users could pick their favorite online sources, and then we'd create a magazine, using algorithms and editors to curate the material. But we also wanted people to be able to

flip through pages, which you can't do on a computer. Tablets were first talked about in the '90s—back then, I launched a startup called Paper Software. The goal was to make computers as simple as paper. But the technology was not advanced enough. Fast-forward to 2009. I was thinking about Flipboard around the same time Apple was rumored to be working on a tablet. Perfect: a computer that acted like paper. So we bet everything on this mythical tablet. I met with venture capitalist John Doerr, who jokes that I came in with no product or device to ship it on. But he liked the idea that people would want personalized Web-based magazines and agreed that the iPad was going to be a big deal. He signed on, as did others, and I learned the importance of starting a company with a big idea. A startup will take the same amount of energy to launch no matter what the idea. VCs want to fund world-changing ideas. We raised $100 million during our third round of financing, which closed in November. The story we told this time was that users want to curate their own magazines, and that we wanted to help them do that. Since March 2013, when we introduced that capability, 5.5 million member-curated magazines have been shared with the world. So Flipboard's original story keeps evolving, but the vision is the same: Great content moves the world forward. —AS TOLD TO LIZ WELCH

VISION
"I learned the importance of starting a company with a big idea."

PHOTOGRAPH BY **DREW KELLY**

difficulties of starting and scaling a company."

Indeed, many VCs think of themselves as investors in stories, and storytellers, every bit as much as investors in companies. "How well does the founder's life explain what they're doing at their company?" asks Scott Weiss, a general partner at Silicon Valley venture firm Andreessen Horowitz.

Weiss likes to talk about his first meeting with Ben Kaufman, founder and CEO of Quirky, which manufactures and markets products invented by "regular" people. "I can remember it almost word for word," he says, "this quintessential story of a kid trying to get his first product [iPod accessories] to market with his first company. It was called Mophie, named after his dogs, Molly and Sophie. The process of getting them made in China, the shipping problems—it was so hard to do. He figured, There's got to be a better way. That was how Quirky was born.

"When you heard Ben talk about his struggle and insight, you were convinced that he'd walk through walls to follow his vision," Weiss says.

OF COURSE, it's highly unusual for entrepreneurs to approach investors with their story perfected. In many cases, in fact, a company's narrative may emerge only in retrospect. That's why Steve Jurvetson—the visionary VC behind companies such as Hotmail, Tesla Motors, Synthetic Genomics, and SpaceX—always brings a camera to early meetings with founders. "I say, 'You're going to want these when you're in the Fortune 500,'" Jurvetson says. "We help founders sculpt stories by remembering anecdotes, with a sense for what the outside world might think of as interesting angles."

As you sculpt your own

Sara Blakely

"Your customers get really passionate and emotional and become your advertising."

SPANX, *Atlanta.* Makes women's hosiery and undergarments

SECRETS "The only people I told were patent lawyers and people in the undergarment industry."

WHEN I WAS in my mid-20s, I spent $80 of my hard-earned money on a pair of white pants, which I couldn't wear. It was an undergarment issue: Panties bunched or showed lines, thongs were too uncomfortable, and girdles, or shapers, were made of a thick material that felt like you were wearing athletic clothes beneath your nice ones. So one day, I cut the feet out of a pair of pantyhose so I could wear my white pants. That was my "aha" moment. I kept my idea to myself. The only people I told were patent lawyers and people in the undergarment industry. Ideas are fragile in their infancy, and I sensed that if I talked about it with friends, I might be discouraged. A lot of million-dollar ideas are squashed because people want to tell you all their concerns. Once I had the prototype and patent in 2000, I sat my family and friends down and said, "Are you ready? Footless pantyhose." I then had my mom and best friend try them on, and their reaction was instant and emotional. "I love it! So comfortable; no bulges! I can now wear things I wouldn't wear before, like cream-colored pants!" We still get the same reactions from our customers. We have never formally advertised. It's not that complicated—your customers get really passionate and emotional, and they become your advertising. —AS TOLD TO L.W.

SCAN THE PAGE TO HEAR SARA BLAKELY DESCRIBE HER "AHA" MOMENT. (See page 14 for details.)

RAYMOND MCCREA JONES/REDUX

story, make sure your tales don't grow too tall in the process. Back in the 1990s, many people were tickled to learn that eBay was born out of founder Pierre Omidyar's desire to help his fiancée more easily trade the Pez candy dispensers she liked to collect. Unfortunately, the tale was a pure fabrication dreamed up by an inventive PR manager to generate media interest after Omidyar's earlier, truthful explanation about wanting to create a "perfect market" failed to get traction.

"Every employee, even the guard at the door, needs to know the company's story. Every employee is an ambassador."

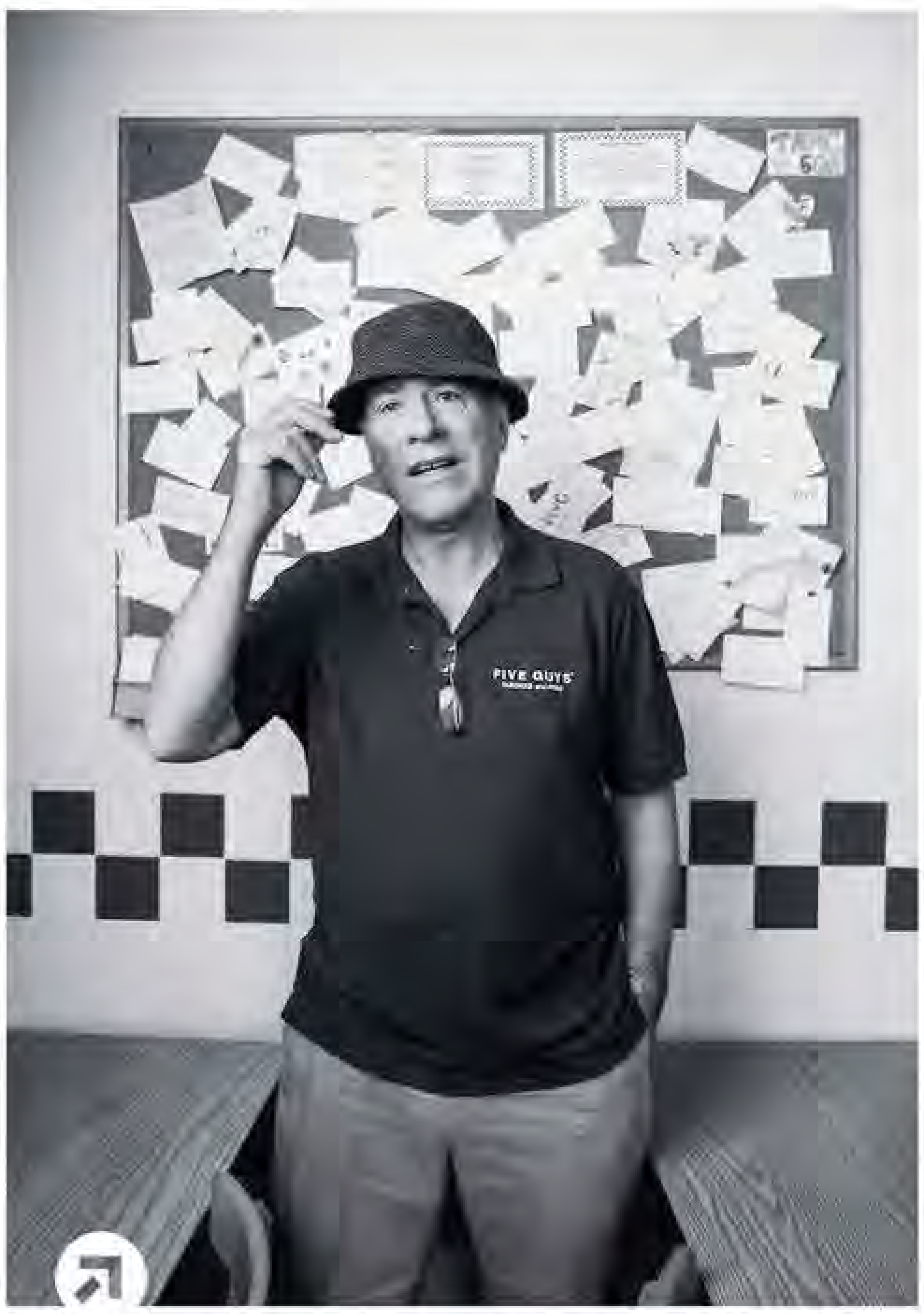
Omidyar was lucky. When the truth came out, years later, eBay was a well-established business and didn't suffer any consequences. But in our increasingly transparent world, even "harmless" lies risk being found out—and punished—faster. And the Web, as we well know, can be merciless.

The eBay publicist's instinct to find a personal angle was understandable. Lindsey Scott, vice president of LaunchSquad, a public relations firm in New York City, has worked with companies whose founding stories play well to a popular audience. Consider Diapers.com: "The founders would take U-Hauls and buy up all the stock at Costco, then ship out of their

Jerry Murrell

"It has to be about the quality of the food."

FIVE GUYS BURGERS AND FRIES
Lorton, Virginia. Runs a burger chain



FRY GUY "My mom said, 'If you don't study, you'll be flipping burgers.'"

MY MOM SAID to me, "If you don't study, you'll be flipping burgers." That eventually gave me the idea for Five Guys—along with this little hamburger place in northern Michigan where I grew up. What fascinated me was almost everyone ate the owner's burgers—even though he had a cat he'd pet while flipping them. People called them fur burgers but still ate them, because they were good! So when my eldest sons were not interested in going to college, I suggested they open a burger joint. This was 1986. We opened in Arlington, Virginia—I was a financial planner at the time—and focused on making the best burger possible. We read French cookbooks and figured out how to make the perfect French fry. Word started to spread, and then the local paper did a story on us. We knew we made it. To this day, we use the best ingredients, so we raise prices to reflect food costs. I once suggested using one tomato slice instead of two. That was the devil talking. My sons staged a revolt. We kept using two slices and raised the price. If we started slipping then, we would not be here now. We finally decided to franchise in 2003, but only if folks agreed to our quality control. The people we choose understand our story. It has to be about the quality of the food, or it won't work. It's a simple story: Sell good burgers, and people will pay for them. Now all five sons work at the company, and we have 1,000 locations nationwide. —AS TOLD TO L.W.

CHRIS ERSMAN

garage, because the diaper companies wouldn't sell to them directly," Scott says. "As new dads, they saw the need to get something quickly, overnight. It was also kind of unexpected that it was men founding the company. They were very relatable, and the story brought the brand to life for a lot of people."

What if your business is more complicated than shipping diapers? In those cases, Scott focuses on the problem the company solves rather than the person who created the solution. But whatever your pitch, the challenge is to find a way to connect with people on a personal level. "The key is to be genuine," Scott says. "If you're not the guy in the garage, don't try to fake it."

Meanwhile, it's important to remember your audience. You don't necessarily want to tell the same story to everyone. Media people, for example, generally look for stories about people. But a potential corporate partner, for example, might be turned off if it sounds as if any one person is too important. "You want to convince them of the institutional strength of the company," says Jurvetson. "That could be a very different pitch, emphasizing an unusual skill set in the company or a unique technology."

ONE ARENA where storytelling matters more than anything is crowdfunding, in which the roles of consumer and investor are merged. On a crowdfunding site, your story has to do a lot of work—and quickly. "There are two elements to a successful Kickstarter campaign: the product and the story," says Slava Menn, co-founder of Fortified Bike Alliance, a manufacturer of heavy-duty, theft-resistant bicycle lights that successfully crowdfunded its way into exis-

Justin Rosenstein and Dustin Moskovitz

"It felt similar to the moment before I decided to drop out of Harvard to start Facebook."

ASANA, *Palo Alto, California.* Makes collaboration software

REINVENTING TEAMWORK? Moskovitz (left) and Rosenstein

JUSTIN ROSENSTEIN: I was a product manager at Google in 2005 and spending 90 percent of my time in meetings and on email. I was extremely frustrated. So I started asking around: "Is there a better way to do teamwork?"
DUSTIN MOSKOVITZ: I faced similar problems at Facebook, where I was co-founder and head of engineering. All these managers reported to me. Between the one-on-ones and email threads, I was always three weeks behind.
ROSENSTEIN: When Dustin hired me, in 2007, we commiserated over this problem. I showed him the basic internal system I'd worked on at Google, which we then fine-tuned at Facebook. Dustin got so excited about it, he started working on it full time.
MOSKOVITZ: I knew we were onto something when our system started being used by everyone in the company. I could see people get excited about it by walking around the office. It felt similar to the moment before I decided to drop out of Harvard to start Facebook—I noticed that four out of five people on campus were on Facebook. It was the same here. Every desk I walked by, I would see our tool up on screens.
ROSENSTEIN: Work around work is a generic problem, whether you are a tiny startup or a Fortune 500 company. It comes down to groups of people aligning their energy to arrive at some shared goal. But the actual mechanics of teamwork are painful and difficult.
MOSKOVITZ: We left Facebook and launched Asana in 2011. It enables teamwork by combining tasks and conversations together, instead of spreading them out over email or on social networks. It's the place for your team to find what to do next, who's responsible for it, and all the details they need. —AS TOLD TO L.W.

SCAN THE PAGE TO LISTEN TO JUSTIN ROSENSTEIN DESCRIBE HOW EASIER METHODS OF COMMUNICATION COULD HELP SOLVE SOME OF THE WORLD'S PROBLEMS. (See page 14 for details.)

tence. "For it to be something that people walk away from and remember, it needs to be personal and have emotion built into it."

Menn admits it was a tough case to make: There is nothing particularly emotional about bike lights. "It's one of the more boring products on a bike," Menn says. He and his team struggled to come up with their company's story. And then inspiration hit: "Our friend had his bike light stolen; then he got hit by a car coming home," Menn says. "It was emotional and true and so simple that a person could retell it the same way after hearing it once."

And it worked. Fortified's first product presold $84,000 on Kickstarter and is carried in 160 bike shops worldwide. Its second line presold more than twice that and is currently being manufactured.

FOUNDING STORIES CAN matter as much inside a company as outside. "They create and maintain a common culture and heritage, a sense of purpose and past," says Smith, the executive coach. "Retelling the story to each generation is important to maintain that." It's not enough to have the founding story on the company website (although that's a good idea). You need to tell it again and again.

Weiss, of Andreessen Horowitz, advises startups in his firm's portfolio to stage quarterly new-employee orientation sessions, at which the founder stands up and talks about how the company was founded and details the company's values. "Everyone, including the guard at the door, needs to know the story and purpose of the company," Weiss says. "Every employee is an ambassador."

Even when a business out-

Joe Fernandez

"My biggest mistake? I kept tweaking my story."

KLOUT, *San Francisco.* Measures influence of social-media users

I CAME UP WITH the idea for Klout while my jaw was wired shut from surgery in 2007. I was stuck in my tiny Manhattan apartment, recovering, and spent a lot of time on Twitter and Facebook—the only way I could communicate. I realized the world was about to change—that everyone was creating content—and thought, Why can't I measure everyone's influence, using social media as data? I built the prototype for Klout and launched on Christmas Eve 2008. Two weeks later, Tech Meetup invited me to present in New York. I stood in front of all these important people and said, "I invented an algorithm to determine how important you are." My idea was to use data from social networks to gauge individual Klout scores, ranging from 1 to 100. The higher the score, the more influence you have. I pitched that idea 150 times during the 18-month postlaunch period and was told no by at least 130 investors. My biggest mistake? I kept tweaking my story. If someone said, "This would be really cool for advertising," I'd refine my pitch to focus on that. The next person would say, "I like the idea, but advertising is dead! It should be more analytics focused." I kept spinning in circles until I finally decided to pitch the company I originally wanted to build. My refined story was, and still is, that I want to help every person in the world understand his influence and be recognized for it. My clarity and confidence in the idea was what made my core investors sign on.
— AS TOLD TO L.W.

JAWBONING "I realized the world was about to change."

SCAN THE PAGE TO WATCH JOE FERNANDEZ DISCUSS HOW JAW SURGERY LED TO HIS ENTREPRENEURIAL EPIPHANY. (See page 14 for details.)

PHOTOGRAPH BY **GABRIELA HASBUN**


FedEx Express
From
Empire Sporting Goods
Portland, OR
To
"Juggling Genius" Jenkins
Venice, CA
8022 4951 8246

lives its founder, his or her story should remain woven into the company's culture. At the Milwaukee-based insurance giant Northwestern Mutual Life Insurance, for instance, employees still learn about a train accident that occurred near Johnson Creek, Wisconsin, in 1859, shortly after the company was founded. Fourteen people were killed, including two Northwestern Mutual policyholders, whose claims totaled $3,500. The young company had only $2,000 on hand, but its leaders took out loans to pay the claims in full immediately. "For employees," says Smith, "the story lets them know how to make decisions. And when talking with a potential policyholder, it becomes a really great sales tool."

> **"For employees, the story lets them know how to make decisions. And when talking to potential customers, it becomes a really great sales tool."**

The celebrated entrepreneur Jerry Greenfield, who is no longer involved in running his namesake ice cream company, says the founding story is something that necessarily evolves over time. "A big part of the story of Ben & Jerry's is not just that it started in a gas station from humble beginnings, but that it made a conscious decision to be a different kind of company that tries to integrate social and environmental concerns in the day-to-day business," Greenfield says. "The story about the founders, Ben and Jerry, makes it human. But the key for the future of the company is a vision of what the organization stands for. The founders—charming as we were—we'll be gone at some point."

Inevitably, social media also play a big part in making yourself heard. Twitter and Facebook may be shrinking attention spans, but they also have an amazing capacity to amplify your voice. "It's harder to tell a story in 140 characters on Twitter," says Smith. "But if you can get someone interested, you can direct them to your website or post a 10- or 15-minute video on YouTube." Those longer videos, Smith points out, have dramatically "expanded the duration of stories and opportunities to engage beyond traditional advertising."

Entrepreneurs also need to be extrasensitive to the power of consumers to rewrite their stories, for better or worse. Consumers are watchdogs—so if your company touts itself as a social do-gooder, you had better make sure you are actually doing some good. "Transparency in business has been a real game changer," says Fred Haberman, co-founder of Haberman, a Minneapolis marketing firm. "It's great for people who want to do good in the world, but it also forces organizations to be very deliberate about how different aspects of their story are going to manifest themselves." Adds Smith: "Brand equity is owned by consumers, not marketers."

Be mindful if the details of your story start to slip as it makes its way across the Internet. But if consumers and media start telling a story that works even better than the one you came up with, Smith says, "you may not want to fight it. Spending inordinate amounts of effort to maintain the integrity of minute details of a story is often unwarranted. My acid test is, If someone there when the origin story happened heard you tell it now, would they be offended? If not, don't change the story."

And with that, it's time to get started: What's your story?

–

ADAM BLUESTEIN, *a Burlington, Vermont–based freelance writer, is a frequent contributor to* Inc.

YOU NEVER BACK DOWN FROM A CHALLENGE. AND YOU WOULDN'T START NOW.

YOU'VE REACHED THE AGE WHERE GIVING UP ISN'T WHO YOU ARE.

So if you're like millions of men who have some degree of erectile dysfunction (ED), talk to your doctor. Ask about VIAGRA (*sildenafil citrate*), and see if America's most prescribed ED treatment is right for you. 20 million men already have.

For more information go to viagra.com or call 1-888-484-2472 (1-888-4VIAGRA).

THIS IS THE AGE OF TAKING ACTION. VIAGRA.

VIAGRA is prescription medication to treat erectile dysfunction (ED).

IMPORTANT SAFETY INFORMATION BELOW.

Do not take VIAGRA if you take nitrates, often prescribed for chest pain, as this may cause a sudden, unsafe drop in blood pressure.

Discuss your general health status with your doctor to ensure that you are healthy enough to engage in sexual activity. If you experience chest pain, nausea, or any other discomforts during sex, seek immediate medical help.

In the rare event of an erection lasting more than 4 hours, seek immediate medical help to avoid long-term injury.

If you are older than age 65, or have serious liver or kidney problems, your doctor may start you at the lowest dose (25 mg) of VIAGRA. If you are taking protease inhibitors, such as for the treatment of HIV, your doctor may recommend a 25-mg dose and may limit you to a maximum single dose of 25 mg of VIAGRA in a 48-hour period. If you have prostate problems or high blood pressure for which you take medicines called alpha blockers, your doctor may start you on a lower dose of VIAGRA.

In rare instances, men taking PDE5 inhibitors (oral erectile dysfunction medicines, including VIAGRA) reported a sudden decrease or loss of vision or hearing. If you experience sudden decrease or loss of vision or hearing, stop taking PDE5 inhibitors, including VIAGRA, and call a doctor right away.

VIAGRA should not be used with other ED treatments. VIAGRA should not be used with REVATIO or other products containing sildenafil.

VIAGRA does not protect against sexually transmitted diseases, including HIV.

The most common side effects of VIAGRA are headache, facial flushing, and upset stomach. Less commonly, bluish vision, blurred vision, or sensitivity to light may briefly occur.

Please see Important Facts for VIAGRA on the following page or visit viagra.com for full prescribing information.

You are encouraged to report negative side effects of prescription drugs to the FDA. Visit www.FDA.gov/medwatch or call 1-800-FDA-1088.

The blue diamond tablet shape is a registered trademark of Pfizer Inc.

VIAGRA®
(sildenafil citrate) tablets

IMPORTANT FACTS

VIAGRA® (sildenafil citrate) tablets (vi-AG-rah)

IMPORTANT SAFETY INFORMATION ABOUT VIAGRA

Never take VIAGRA if you take any medicines with nitrates. This includes nitroglycerin. Your blood pressure could drop quickly. It could fall to an unsafe or life-threatening level.

ABOUT ERECTILE DYSFUNCTION (ED)

Erectile dysfunction means a man cannot get or keep an erection. Health problems, injury, or side effects of drugs may cause ED. The cause may not be known.

ABOUT VIAGRA

VIAGRA is used to treat ED in men. When you want to have sex, VIAGRA can help you get and keep an erection when you are sexually excited. You cannot get an erection just by taking the pill. Only your doctor can prescribe VIAGRA.

VIAGRA does not cure ED.

VIAGRA does not protect you or your partner from STDs (sexually transmitted diseases) or HIV. You will need to use a condom.

VIAGRA is not a hormone or an aphrodisiac.

WHO IS VIAGRA FOR?

Who should take VIAGRA?

Men who have ED and whose heart is healthy enough for sex.

Who should NOT take VIAGRA?

- If you ever take medicines with nitrates:
  - Medicines that treat chest pain (angina), such as nitroglycerin or isosorbide mononitrate or dinitrate
- If you use some street drugs, such as "poppers" (amyl nitrate or nitrite)
- If you are allergic to anything in the VIAGRA tablet

BEFORE YOU START VIAGRA

Tell your doctor if you have or ever had:

- Heart attack, abnormal heartbeats, or stroke
- Heart problems, such as heart failure, chest pain, angina, or aortic valve narrowing
- Low or high blood pressure
- Severe vision loss
- An eye condition called retinitis pigmentosa
- Kidney or liver problems
- Blood problems, such as sickle cell anemia or leukemia
- A deformed penis, Peyronie's disease, or an erection that lasted more than 4 hours
- Stomach ulcers or any kind of bleeding problems

Tell your doctor about all your medicines. Include over-the-counter medicines, vitamins, and herbal products. Tell your doctor if you take or use:

- Medicines called alpha-blockers to treat high blood pressure or prostate problems. Your blood pressure could suddenly get too low. You could get dizzy or faint. Your doctor may start you on a lower dose of VIAGRA.
- Medicines called protease inhibitors for HIV. Your doctor may prescribe a 25 mg dose. Your doctor may limit VIAGRA to 25 mg in a 48-hour period.
- Other methods to cause erections. These include pills, injections, implants, or pumps.
- A medicine called REVATIO. VIAGRA should not be used with REVATIO as REVATIO contains sildenafil, the same medicine found in VIAGRA.

POSSIBLE SIDE EFFECTS OF VIAGRA

Side effects are mostly mild to moderate. They usually go away after a few hours. Some of these are more likely to happen with higher doses.

The most common side effects are:

- Headache
- Feeling flushed
- Upset stomach

Less common side effects are:

- Trouble telling blue and green apart or seeing a blue tinge on things
- Eyes being more sensitive to light
- Blurred vision

Rarely, a small number of men taking VIAGRA have reported these serious events:

- Having an erection that lasts more than 4 hours. If the erection is not treated right away, long-term loss of potency could occur.
- Sudden decrease or loss of sight in one or both eyes. We do not know if these events are caused by VIAGRA and medicines like it or caused by other factors. They may be caused by conditions like high blood pressure or diabetes. If you have sudden vision changes, stop using VIAGRA and all medicines like it. Call your doctor right away.
- Sudden decrease or loss of hearing. We do not know if these events are caused by VIAGRA and medicines like it or caused by other factors. If you have sudden hearing changes, stop using VIAGRA and all medicines like it. Call your doctor right away.
- Heart attack, stroke, irregular heartbeats, and death. We do not know whether these events are caused by VIAGRA or caused by other factors. Most of these happened in men who already had heart problems.

If you have any of these problems, stop VIAGRA. Call your doctor right away.

HOW TO TAKE VIAGRA

Do:

- Take VIAGRA only the way your doctor tells you. VIAGRA comes in 25 mg, 50 mg, and 100 mg tablets. Your doctor will tell you how much to take.
- If you are over 65 or have serious liver or kidney problems, your doctor may start you at the lowest dose (25 mg).
- Take VIAGRA about 1 hour before you want to have sex. VIAGRA starts to work in about 30 minutes when you are sexually excited. VIAGRA lasts up to 4 hours.

Don't:

- Do not take VIAGRA more than once a day.
- Do not take more VIAGRA than your doctor tells you. If you think you need more VIAGRA, talk with your doctor.
- Do not start or stop any other medicines before checking with your doctor.

NEED MORE INFORMATION?

- This is only a summary of important information. Ask your doctor or pharmacist for complete product information OR
- Go to **www.viagra.com or call (888) 4-VIAGRA (484-2472).**

Distributed by:
Pfizer Labs
Division of Pfizer Inc., NY, NY 10017

Printed in the USA.
VGIF Rev 6 01/13

THE STARTING LINE

Eric Paley

Go Beyond Visionary. Be a Leader

Having a grand vision isn't enough to build your business. You have to take the reins and actually run your startup

YOU'VE IDENTIFIED A great opportunity. Crafted a plan. Inspired talented people to join you and persuaded investors to put money into your fantasy. You are officially a visionary. Well done.

Now comes the hard part. Being a visionary is table stakes in building a great company. Vision is the license to play the startup game and the base ingredient for being a leader. The challenge that you face now isn't easy—you have to lead. Leading is different. We've all met visionary thinkers who are terrible leaders. Just because you can paint an exciting picture of the future your company can create doesn't mean that you're able to lead the company to that vision. So how does a founder make the transition from visionary to leader?

Eric Paley is an entrepreneur and a managing partner of Founder Collective, a seed-stage venture capital fund. He is based in Cambridge, Massachusetts.

1. Build trust with talented people

Everyone says he or she wants to hire talented people, but founders are often intimidated by great talent. They want people who follow their vision, but true talent will challenge that vision. Perhaps you are concerned that people who have more experience and success may actually undermine your role as a leader.

The exact opposite is true. Fear of being undermined by talented people is the sure path to failure. It will either cause you to hire less-talented people or cause talented people to question your judgment. To transition from visionary to leader, you need to demonstrate your ability to attract experienced people who can bring key expertise to the company. If you can get them on board and excited by your leadership, you're well on your way.

2. Determine what's important

There are an infinite number of things to do at a startup. One of the hardest challenges is figuring out what's most important and focusing your scarce resources on that topic. It can be a difficult struggle to transform your grand vision into steps that your team can act on. Nothing frustrates talented people more than working for a founder who fails to offer clear priorities and appears to shift the game plan haphazardly.

Being a leader means focusing your team on the key priorities. You need to build consensus on these priorities, set goals, evaluate performance against those goals, and change course when necessary. Great leaders build credibility with their team by making a plan, executing it effectively, and demonstrating that it was the right plan.

3. Be transparent (up to a point)

Your team deserves the truth, and being transparent will build trust in you as a leader. Unfortunately, being a visionary means constantly being frustrated at the speed with which your vision becomes reality. This is part of the reason that being a founder is such an emotional roller coaster. Visionaries who show this frustration typically burn out their teams over time. While you are experiencing insane highs and lows, your team members cannot be whiplashed by that same level of volatility. They're committed, but not nearly as committed as you, which is why they might run for the hills if you expose them to your every emotion.

Instead, dampen the volatility they are feeling while being honest and transparent. Not everyone needs to know every little detail of your recent rejection or of the company's financial challenges. Don't hide the truth, but don't torture your team with details that are out of its control.

VISION IS THE REASON your company was born, but leadership will be the reason it thrives. Work at becoming a better leader.

What Richard Branson looks for in an assistant PG.56

Lead

Inspire. Empower. Get Results.

"We are bonsai global players. We do it with the same quality as the big companies, but at a very reduced scale."

—PHILIPP KLAIS, owner of Klais Orgelbau, one of the thriving companies of Germany's Mittelstand

PG. 48

FACTORY FLOOR
On the job at Igus, which sells $500 million worth of polymer bearings and industrial chains a year

PHOTOGRAPH BY **OLAF BLECKER**

Tip Sheet

The Lost Art of Tough Love

Some leaders still manage the old-school way. The trick: striking a balance between *tough* and *love*

MARK STEVENS does not want to be loved. His eyes glaze over when he hears the word *empowerment*. He's still trying to figure out what work-life balance means. He is not a motivator in chief. Or a chief happiness officer.

Stevens, the founder of the Rye Brook, New York–based branding firm MSCO, is the boss. Plain and simple.

Remember the boss? He or she seems to be a dying breed. Rather than touting the structure and discipline of their companies, founders these days seem more interested in flaunting their quirks and perks.

But there still are CEOs like Stevens, who fires whiners; encourages confrontation; imposes high, unyielding standards; and manages with the understanding that his word is law. "You can't be soft in a tough world," he says. "You'll never make it." Stevens, 56, founded the 46-employee company in 1995 and serves customers such as AIG and Wolfgang Puck.

In fact, research shows that tough love can be an effective form of leadership—provided one strikes the proper balance between *tough* and *love*. One 2011 study out of Cornell University, the University of Notre Dame, and the University of Western Ontario found that disagreeable leaders had higher salaries and were considered more formidable managers than agreeable ones were.

> "You can't be soft in a tough world. You'll never make it."

The challenge is to set high demands while still being supportive. "When you build a relationship on trust, then the majority of people are OK with tough love," says Christine Porath, a professor at Georgetown University's McDonough School of Business. "They'll rise to the occasion; some thrive on it."

That's been the experience of Frank Poore. The founder of CommerceHub, a cloud-based fulfillment system for retailers, Poore admits that he rips apart drafts of employees' presentations—just to see if they will push back. "That might be discouraging to some people," Poore says, "but I want people to come in with their ideas fully baked and be able to defend themselves." At the same time, however, Poore is careful never to make his criticisms personal, a lesson he learned from an overly cruel drill sergeant he met in the Army. "If you attack people personally, as

BADASS-BOSS HALL OF FAME

A gallery of uncompromising, and wildly successful, leaders

STEVE JOBS: THE PERFECTIONIST

Gave employees a higher purpose but was unsparing about their shortcomings

BARRY DILLER: THE TASKMASTER

Embraces creative conflict but intimidates employees into pulling all-nighters

FROM LEFT: DB CHRISTOPH DERNBACH/CORBIS; BRENDAN MCDERMID/CORBIS

opposed to attacking their ideas, you've poisoned the well," he says.

In fact, studies have shown that being belittled actually does have a negative effect on cognitive function, says Porath. "You never want to use fear as your primary motivator," she says. "Even if it makes employees want to perform better, they can't."

Indeed, managers who exert too much toughness and not enough love might discover some unintended consequences. That's what Judah Schiff saw in the early days of JMAC Supply, the security-systems company he launched in 2009. Schiff is only 24, but he runs his company like someone three times older. He insists that employees clock in and out, even for lunch. He fires so-called clock watchers and people he catches switching screens on their computer when he walks by.

In 2012, that resulted in such intense churn that 24 people were fired or quit, on a team of just 14. Schiff hasn't changed, though he spends more time in the interview phase making sure potential hires can handle the pressure. The company still loses about 12 employees a year, but to Schiff, it's worth it if it means gaining two valuable staff members. —ISSIE LAPOWSKY

HOW TOUGH IS TOO TOUGH?

There's a fine line between being tough and being a jerk. Cross it at your peril.

Don't Be Big Brother

University of Chicago researchers found that when people are being monitored (or monitoring themselves) too closely, they tend to underperform—that is, they choke.

Rudeness Hurts

In a study by the University of Florida and the University of Southern California, people who were exposed to uncivil behavior were 33 percent less creative and four times less helpful than those who were not.

How to Kill Productivity

In a Georgetown University poll of 800 managers and employees, 80 percent said they had lost work time worrying about a rude incident at the office.

CLOCKWISE FROM TOP: TED MORRISON/GALLERY STOCK; VEER; JAMES DEVANEY/GETTY; DESIREE NAVARRO/GETTY; STEVE GRANITZ/GETTY

SCOTT RUDIN: THE HOTHEAD

Produced hits such as *The Social Network* and *School of Rock;* once fired an assistant for bringing him the wrong muffin

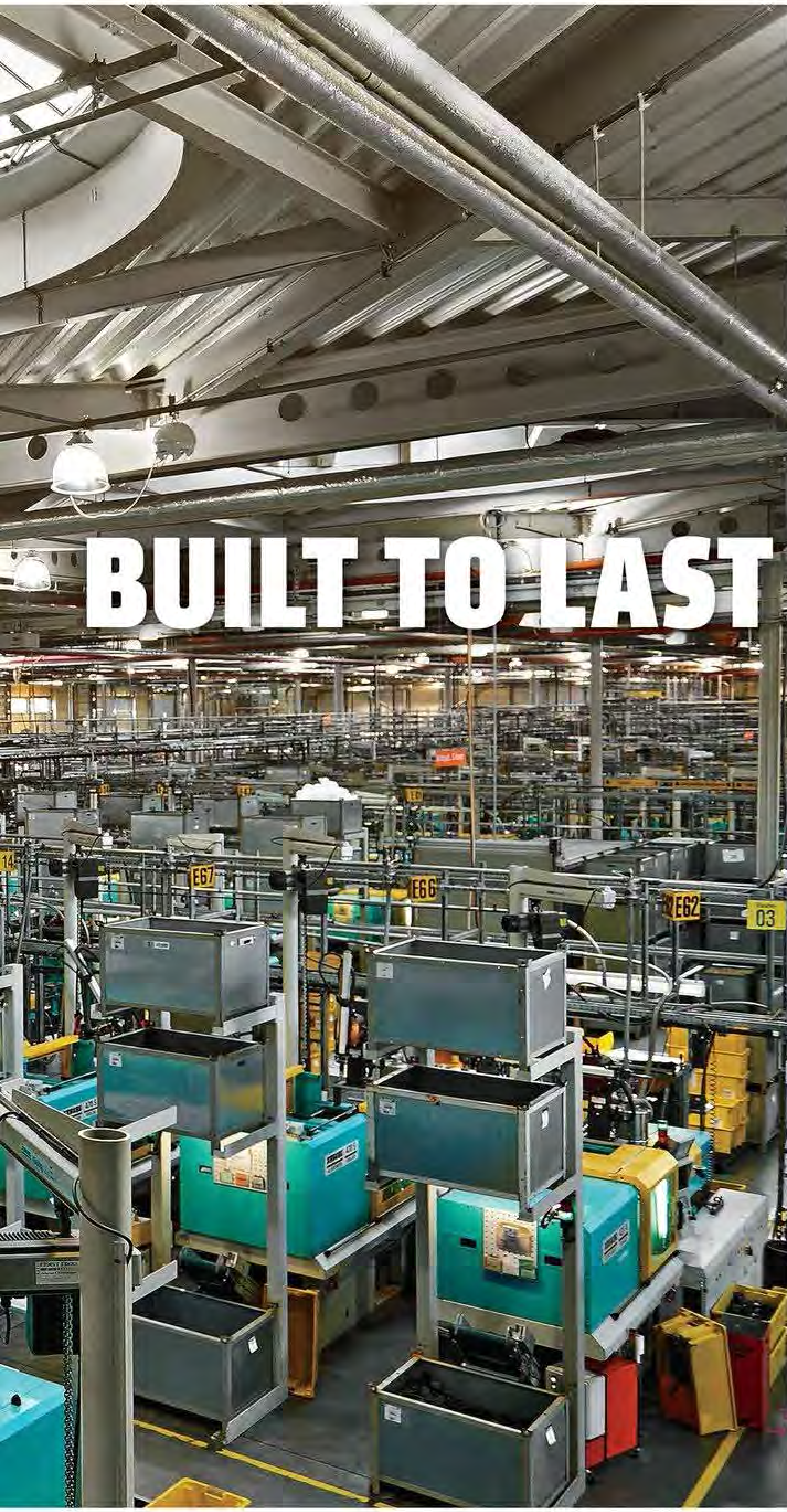
MARTHA STEWART: THE CONTROL FREAK

Made a fortune on her attention to detail but has trouble ceding control

GEORGE STEINBRENNER: THE COMPETITOR

Core belief: "Winning is the most important thing in life, after breathing."

A WELL-OILED MACHINE When Igus runs out of space in its sprawling factory near Cologne, Germany, the company just moves the walls. The modular factory, which employs 2,000 people to make polymer bearings and chains used in machinery, has been expanded seven times since its founding in 1964.



At the core of Europe's strongest economy stands a tier of impeccably run small manufacturers that measure growth not in years but in centuries. Here's how they do it, in five very German lessons

BY LEIGH BUCHANAN
PHOTOGRAPHS BY OLAF BLECKER

BUILT TO LAST FOREVER

D**ISCOUNT CHAINS?** Convenience stores? Churches?

"No," Max Krawinkel replies mildly, each time I press him on the seductiveness of a potential new market for his company's LED signs. "We only do them for gas stations."

Krawinkel is the seventh-generation owner of PWM, a 120-employee company born 208 years ago in the hilly municipality of Bergneustadt, Germany. Originally a textile producer specializing in undergarments and children's sailor suits, PWM today is the world market leader in electronic gas-station price signs, with most of the major oil companies among its clients. Krawinkel's father introduced electronic price signs in the early 1980s; Krawinkel himself invented so-called profit boards, the electronic signs gas stations use to lure customers into their

mini-marts for high-margin hot dogs and breakfast burritos. Virtually any business or organization wanting to post short messages for passersby can use some version of PWM's homegrown product. But they can't buy it from PWM.

We are sitting in Krawinkel's office, and Krawinkel, a trim, soft-spoken man in owlish glasses, is explaining why he isn't all over the kinds of easy adjacent markets that a U.S. entrepreneur would fall on like a starving sailor at a fish fry. "I know I could use my technology for a lot of other applications," says Krawinkel, tenting his fingers. "People always ask, 'Why don't you go there?' But I don't want to lose my focus."

Krawinkel is the stick-to-your-knitting-est business owner I have ever met. He is an archetype of the Mittelstand: the family-owned, small to midsize manufacturing companies that analysts credit with Germany's prosperity and resilience. Mittelstand companies account for 52 percent of the country's economic output and almost two-thirds of its jobs, according to the Federal Ministry of Economics and Technology. Germany is the world's fifth-most-prolific generator of patents and is poised to overtake the United States as the second-largest exporter—largely thanks to the strength of the Mittelstand (and the weakness of the euro).

The size of Mittelstand companies is disputed (up to $250 million in revenue? $500 million? $1 billion or more?), but their characteristics are well defined. Hermann Simon, a German management expert who has studied this cohort for decades, decodes its principles exhaustively in his 2009 book, *Hidden Champions of the 21st Century: Success Strategies of Unknown World Market Leaders.* Simon found that Mittelstand companies innovate constantly in narrow markets, grow through aggressive pursuit of international sales, work closely with customers, design their own machines and processes, and hoard institutional knowledge by hiring people when they're wet behind the ears and keeping them until they're graying at the temples. (The Mittelstand partners with Germany's vocational colleges to train apprentices, many of whom remain with their first employers for life.)

As the United States pursues a manufacturing renaissance meant to restore middle-class jobs, it is counting heavily on advanced technologies. The subject of how manufacturing companies should be led and managed receives far less attention. Conventional business wisdom—fail fast and often; disrupt or be disrupted; when in doubt, pivot—suits the service sector that dominates GDP, as well as the thriving high-tech industry. But things get trickier for companies burdened with high capital costs and substantial fixed assets. Yes, manufacturers must be nimble. But they also require skilled local work forces, assurances of unimpeachable quality, and a measure of stability. This is where the Mittelstand excels.

"If we could decide between 5 percent growth and 100 percent security, we would choose security."

As I drive around Germany's North Rhine–Westphalia region visiting these "champions," I imagine American entrepreneurs snorting at these companies' conservative growth targets and no-thank-you response to some opportunities. "If we could decide between 5 percent growth between 2013 and 2014 and 100 percent security that 2014 would be exactly like this year, we would choose the security option," says Ulf Pöppel, third-generation managing director of BSW, a 400-employee company that uses recycled rubber to make products like synthetic surfaces for running tracks, tennis courts, and playgrounds. "Germans do more to make sure in three to five years they are in the position they are in now," says Pöppel. "Americans would choose the growth option."

The Austrian business sage Joseph Schumpeter warned that creative destruction takes down old industries. And the Mittelstand does get criticized for being staid. But another Austrian, the equally sage Peter Drucker, took a different perspective. "A factory that is 'dramatic,' a factory in which the epic of industry is unfolded before the visitor's eyes, is poorly managed," wrote Drucker. "A well-managed factory is boring."

You may not share the Mittelstand's conservative philosophy. But when it comes to operations, there is much you can learn from it.

FUELING STEADY GROWTH Max Krawinkel's 208-year-old Mittelstand company manufactures digital signs for gas stations—and gas stations only.

LESSON 1

NARROW YOUR HORIZONS

THE TERM *HIDDEN CHAMPIONS*—coined in the 1980s by Simon, the German management expert—reflects the Mittelstand's preference for keeping low profiles outside its industries. This is both a cultural decision and a strategic one. Most Mittelstand companies lurk far back in the supply chain, making parts and machinery that disappear into someone else's product. Laboring largely unnoticed inside narrow niches, they develop unsurpassable expertise vulnerable only to seismic disruptions.

"Underlying this is a fundamental understanding of markets," says Simon. "If you stick to a market that is unlikely to disappear, focusing and optimizing and perfecting over decades, you become the best at this market. Then it is unlikely that anyone will beat you."

Mittelstand companies are antimagpies: untempted by shiny objects. Like PWM with its all-gas-stations-all-the-time creed, they choose depth over breadth, avoiding distraction and minimizing competition. But *focused* doesn't mean *resistant to change*. Increasingly, the Mittelstand practices what Simon calls "soft diversification": slowly adding business units just one or two skips from their original markets and technologies.

Christopher Mennekes greets me in the lobby of his namesake company with a flute of champagne. "We don't have to finish it," he tells me as we clink glasses. I'm glad to hear it. We're about to embark on a factory tour, and I like to stay sharp around heavy machinery.

Mennekes, with revenue of roughly \$160 million, employs more than 900 people, the majority here in Kirchhundem, a pretty, pastoral town of 2,200. "You come at an exciting time," says Mennekes, who at 34 is the third-generation CEO. Early this year, the European Commission in Brussels chose the company's charging-apparatus design as the standard for electric vehicles

HOMEGROWN The Mennekes factory in Kirchhundem, Germany, was built around the home of founder Aloys Mennekes, who launched the business in 1935. The company, which makes electrical plugs, employs more than 900.

SIZING UP THE MITTELSTAND

Mittelstand describes the small and midsize companies that undergird Germany's economy. Sources disagree about when companies size out of this cohort, but in the interest of presenting consistent figures, the following come from the German Federal Ministry of Economics and Technology, which sets an upper limit of 500 employees.

MITTELSTAND COMPANIES ARE RESPONSIBLE FOR

52% OF GERMANY'S ECONOMIC OUTPUT

39% OF TOTAL REVENUE

across the continent. Of course, other manufacturers are free to adopt the standard, but Mennekes is already ahead in development.

Mennekes is so confident of the embryonic market's potential that he recently launched two more business units: one to build charging posts and one to build components related to the electric automotive industry. They are the company's first new units in 80 years, during which time it made almost exclusively plugs and sockets, plugs and sockets, plugs and sockets.

"Sometimes it is good if you stick to your core competence, and then one day, if you have the patience, there is a topic where you can suddenly jump on," says Mennekes. That word, *patience,* rarely comes up when you talk to American business owners. Granted, waiting 80 years before testing new waters may sound unacceptably passive to CEOs wired for action. But at a time when technological change mercilessly strikes down first movers, patience is an appealingly simple risk-mitigation strategy.

LESSON 2
GO GLOBAL FAST. GO GLOBAL HARD.

INTERNATIONAL TRADE IS ingrained in the history of Germany, which until the early 20th century was a collection of nation-states. As Simon points out, "If you were located in Bavaria and did business with Stuttgart, this was international business."

Simon says Mittelstand companies prefer selling direct instead of forming joint ventures. That lets them set the terms for how their products will be sold and used. It is not unusual for one of these companies to field 50 or more subsidiaries. Small to midsize manufacturers account for 70 percent of Germany's exports—more than in countries where large corporations dominate. Philipp Klais captures the Mittelstand's internationalism in an elegant metaphor: "We are bonsai global players," he says. "We do it with the same quality as the big companies, but at a very reduced scale."

Klais is here in Bonn because he has delayed for one day a trip to Spain, for the inauguration of one of his company's pipe organs at the cathedral of León. The sedate brick façade of Klais Orgelbau fronts on a shady street, just down the road from Beethoven's birthplace. Klais's great-grandfather started the company more than 130 years ago. The workshop has modernized some (electricity, AutoCad), but many processes have changed little, and the family still occupies a house in the compound. "The employees and my family are using the same garbage container," says Klais. "If my team finds two bottles of wine in the morning they know, don't talk to me."

In summer and autumn, just half of Klais's 65 workers are on hand to notice those wine bottles. The rest are on three-month sojourns installing organs in Iceland or Venezuela or Texas. (Very large organs may take twice as long to install. One at the Beijing Theater is 40 feet tall and weighs 45 tons.) The company has been global since 1954, when it trained employees of Yamaha in organ building. Klais estimates 35 percent to 45 percent of his sales are in Germany; 30 percent elsewhere in Europe; and the rest around the world.

Igus, on the outskirts of Cologne, is another global player, but there's nothing bonsai about it. Founded in a garage in 1964, the company employs more than 2,000 people, and its modular factory has been expanded seven times. Towering yellow pylons sprout from the roof at the juncture of each module,

CONTINUED ON PAGE 104 ►

19% OF EXPORTS

61% OF JOBS

83% OF APPRENTICESHIPS

THE MITTELSTAND COMPANIES ARE

FAMILY OWNED **95%**

INNOVATIVE **54%** introduced products or processes to market from 2008 to 2010

FINANCIALLY CONSERVATIVE **54%** of investment comes from their own equity

RESILIENT **1.6%** employee increase during the economic downturn

No Workaholics Allowed

Why one company punishes (yes, punishes) staff members for not taking breaks

RYAN SANDERS and Ben Peterson, co-founders of Provo, Utah–based HR software maker BambooHR, take the idea of work-life balance seriously. So seriously that they have a strict "antiworkaholic" policy. The 53 employees leave at 5 and are taken to task if they put in more than 40 hours a week. Too much work, Sanders says, yields unhealthy, burned-out employees—and a less successful company.

We asked Sanders how he and Peterson arrived at this policy and how they make it stick.
—JENNIFER ALSEVER

THE CASE AGAINST 24/7
Research shows that making your staff work marathon hours does more ill than good. Here's why:

IT'S HAZARDOUS TO THEIR HEALTH

67%
Increased risk of developing heart disease for workers who put in 11 hours a day vs. eight

3x
Increased likelihood that those who work 50-plus hours a week will develop an alcohol-abuse problem

IT KILLS PRODUCTIVITY

50%
of employees are less productive as a result of stress.

20
hours without sleep is equal to a 0.1 blood alcohol level, which is the equivalent of five or six drinks (for people 160 to 180 pounds).

THEY SAW THE COST UP CLOSE
Peterson and Sanders created the policy after observing the suffering of friends and colleagues at other startups. Stress put one co-worker in the hospital; he continued to answer work emails on his phone. Another colleague's marriage collapsed after he opted to work through the holidays without a break. In fact, Sanders's former employer offered workers gift cards and bonuses for logging more than 50 hours a week. Today, Sanders has three children and Peterson has six. Both partners vowed to put family before work. "The tradeoff isn't worth it," Sanders says.

THEY'VE MADE SURE THE POLICY HAS TEETH
Lots of companies pay lip service to work-life balance. BambooHR enforces it. One employee, a software developer, nearly lost her job for continually working 70 to 80 hours a week. She was sleep deprived and grew increasingly difficult to deal with. And her productivity took a nosedive: In one case, a conversation that should have taken 15 minutes stretched to two hours because the woman was so exhausted. Peterson and Sanders confronted the employee and warned that if she did not cut back to 40 hours, she would be fired. "Working a lot is great on the surface, but down below, it affects the business," says Sanders.

THEY'VE MADE IT EASY TO WORK SMARTER
To get the most out of 40 hours a week, BambooHR teaches employees time-management tricks like limiting meetings and email interruptions. Employees use GoToMeeting instead of traveling for face-to-face client meetings, and they communicate with clients often to let them know when they will be unavailable. The strategy does not seem to have hurt: With clients such as Fab and Pinterest, BambooHR will triple revenue, to $10 million, this year.

JASON FORD

Are executive assistants worth it? Meet five whose bosses couldn't do their jobs without them

SECRET WEAPONS

Interviews by **ISSIE LAPOWSKY** Photographs by **GUS POWELL**

SCAN THE PAGE TO SEE A DAY IN THE LIFE OF BARBARA CORCORAN AND GAIL ABRAHAMSEN.
(See page 14 for details.)

GAIL ABRAHAMSEN
assistant to
BARBARA CORCORAN
of Barbara Corcoran Inc., New York City

When Barbara Corcoran wanted to book an actress to play a mermaid at her book-launch party, she knew just whom to call: Gail Abrahamsen. Her assistant, for eight years now, has mastered the art of managing the real estate mogul's wacky life. A typical day? Abrahamsen fields some 300 emails a day and answers every one within 24 hours. She also arranges Corcoran's endless media appearances, from *Shark Tank* (Corcoran is a shark) to the *Today* show. And if Corcoran just happens to leave her Chanel suit at JFK airport, Abrahamsen is on it. "There's never a dull moment with Barbara," she says. Of course, Abrahamsen knows all about chaos. A former business owner herself, she ran a children's store franchise called The Elephant's Trunk before working for Corcoran—and thus attacks her duties with the work ethic of an entrepreneur. "Everything funnels through Gail," says Corcoran.

9:44A.M.

NOVEMBER 15, 2013

NEW YORK CITY

Gail Abrahamsen (left) and Barbara Corcoran just after a Today show appearance—and changing heels for the journey to their next appointment

PEG FITZPATRICK
assistant to
GUY KAWASAKI
of Alltop, San Francisco

Guy Kawasaki, the renowned speaker and co-founder of Alltop, the news aggregation site, hired his assistant Peg Fitzpatrick before they ever even met. In fact, they didn't meet in person until months later. Fitzpatrick is a virtual assistant, based in Keene, New Hampshire, one of three on Kawasaki's payroll. He has one to manage his calendar and another to answer his emails, and, last year, after interacting with Fitzpatrick on Twitter, he hired her to manage his social media. "If an entrepreneur has the time to do everything Peg does for me, the entrepreneur cannot possibly be running his or her company properly," Kawasaki says. On Fitzpatrick's watch, Kawasaki's fan base on LinkedIn went from nonexistent to more than 400,000 followers. Twitter fans? Thanks to Fitzpatrick, he has more than one million. "Online, he's like Madonna," says Fitzpatrick. "It's different from a regular person tweeting. For Guy, social media is 24/7. Now, he can forget about stuff, because he knows I'll check on it. My job is to worry about it."

1:54 P.M.

NOVEMBER 20, 2013

LOS ANGELES

At the L.A. Auto Show's Audi exhibit: Peg Fitzpatrick (center) with Guy Kawasaki, who was helping Audi with its social media

HELEN CLARKE
assistant to
SIR RICHARD BRANSON
of Virgin Group, London

If Sir Richard Branson booked his own travel plans, he would probably run out of time to actually travel. In any given year, the world-famous jet setter and his assistant Helen Clarke visit some 50 cities, meaning Clarke, once a Virgin flight attendant, spends the majority of her time travel planning. She's on the road so often, in fact, that she has her own assistant back at the office on Branson's private island in the Caribbean. Her second biggest task is managing the barrage of emails Branson receives. He verbally dictates every response to Clarke, so she's always informed and can be a human hard drive for Branson. "Helen is always one step ahead of me in terms of what I am likely to forget," he says. She's also a vital sounding board for Branson. "He's very good at asking my opinions on things," Clarke says. "At first, I was like, 'Why is he asking me?' Then, I realized he's asking because he genuinely wants my opinion. We can debate."

7:28 P.M.

NOVEMBER 8, 2013

NEW YORK CITY

Helen Clarke with Sir Richard Branson sitting shotgun, as he prefers, on their way to the Endeavor awards in Midtown Manhattan. Next stop? Jamaica.

BRANDI CHEEK *assistant to* DREW HOUSTON *of Dropbox, San Francisco*

Drew Houston's Silicon Valley friends used to call him crazy for waiting so long to hire an assistant. "I never imagined all the ways it could be helpful until after the fact," he says. He finally caved three years ago and hired Brandi Cheek, a former legal assistant. Now, she is still teaching Houston how to use an assistant in the first place. "His default is to book his own flights," she says. "I have to remind him I can do that for him." Her most important job, though, is keeping Houston in touch with his staff. Aside from routine duties, like handling Houston's calendar for meetings, Cheek gives him candid feedback on the mood of the company and schedules weekly powwows for him and 10 employees. "He always gets my opinion on messages he relays to the whole company," says Cheek. "He can get so busy; I try to keep him connected to Dropbox."

2:34 P.M.

NOVEMBER 21, 2013

SAN FRANCISCO

Brandi Cheek (right) and Drew Houston at their usual side-by-side workstations at the Dropbox headquarters


YOU TOOK A BIG RISK STARTING A COMPANY.
Choosing a laptop case shouldn't be one of them.
Brenthaven. Designed and crafted in Seattle. 100% Lifetime Guarantee.
brenthaven.com
Brenthaven

EVENING GALVIN *assistant to* JOHN MACKEY *of Whole Foods, Austin*

"She's the best assistant I've worked with in my 35 years of Whole Foods," says John Mackey of Evening Galvin. Mackey has known Galvin since she was a baby—her parents were also in the natural-food business. A few years after Mackey and Galvin went on a group hike on the Appalachian Trail, he hired her as his assistant in 2006. Says Mackey: "I think one of the most important things she does is quickly prioritize my schedule to make sure I am making the best use of my time. She also does an excellent job of shielding me from phone calls and meetings which she knows would waste my time." Galvin spends about 10 percent of her week on Mackey's personal requests and the other 90 percent on Whole Foods business. The two never have face-to-face meetings, though; they only email. That way, Galvin says, work doesn't get in the way of their friendship.

4:39 P.M.

NOVEMBER 19, 2013

AUSTIN

John Mackey and Evening Galvin (right) outside the Whole Foods headquarters

HERE'S WHY ONTARIO, CANADA

IS YOUR NEXT BIG IDEA

Ontario is where growth is happening. Our dynamic financial services sector is built on an internationally respected regulatory and supervisory framework, high-value IT services and the best-educated workforce in the G7. Toronto is home to the TMX, the third-largest stock exchange in North America, and is the second-largest financial sector on the continent by direct employment. Take your company to the next level. Make Ontario your next big idea.

YourNextBigIdea.ca/Financial

350,000
Employed in Ontario's finance and insurance sector

83,000
Certified General Accountants
Certified Management Accountants
Chartered Accountants

9,000
Certified Financial Planners

7,900
Charter-Holding Financial Analysts

Norm Brodsky

Which Way Should I Grow?

When opportunity knocks, sometimes it's better not to answer

Dear Norm,
I own a company that manufactures and sells high-performance aftermarket automotive parts. About 80 percent of our sales are retail, primarily through our website; most of the rest are wholesale to other retailers, but we also design and manufacture some specialized products for larger companies. Recently, some of these companies have approached us about private labeling a few of our products. My concern is that if we do it, we may end up competing with ourselves and hurting and diluting our brand while reducing our profit margins. On the other hand, these companies have much larger customer bases and would be able to sell much larger volumes of our products. My question is this: When is it appropriate to private label your products?

MICHAEL IHNS, owner, Improved Racing, Orlando

WHEN YOU HAVE a fairly new business that is growing rapidly, opportunities open up in front of you, and you have to decide what to pursue and what to ignore. That can pose quite a dilemma, as it has for Michael Ihns and Improved Racing. The company has doubled its revenue every year since launching in 2008, and it is poised to double revenue again in 2014. But Michael can't help being tempted by private-label opportunities, which could bring in a large volume of new sales. Even though his gross margins would shrink, the greater volume could provide a substantial boost to Improved Racing's bottom line.

It's at moments like those that entrepreneurs need to ask themselves: "What business am I really in? Where do I want to wind up?"

I asked Michael to tell me more about his business. He said his products cost, on average, about 30 percent more than those of his competitors. Customers, however, are willing to pay the premium because of Improved Racing's superior quality and performance. Nearly all of those customers are owners, developers, or manufacturers of high-performance automobiles used in various types of road and off-road racing. It is, in other words, a relatively small market. Michael's goal is for Improved Racing to become a recognized and admired brand within that market.

Given all that, the answer to Michael's dilemma seems obvious to me: He should not do any private labeling. In fact, I cautioned him about selling his products wholesale to other retailers as well.

If Michael wants to build his brand, he needs to drive traffic to his website, which accounts for 90 percent of his retail sales. Most of his new customers, I suspect, come to his site after they've gone first to other sites that probably have a larger selection of products. If those customers can find Improved Racing's products at those destinations for the same price—either under a different brand or under his own brand—they'll never get to the Improved Racing site. Why would they bother?

It is important to understand that I would have given him a different answer if he had had a different goal for his company—say, to become a major manufacturer of aftermarket automotive products. As a manufacturer, Michael would want as much volume as possible, and doing private-label manufacturing could be a great opportunity. But that's not the business Michael wants to be in. He wants to develop a brand that is well known and respected. Not only would private-label manufacturing distract him from that goal, but it would lead somewhere he doesn't want to wind up.

Norm Brodsky is a veteran entrepreneur. His co-author is editor-at-large Bo Burlingham. They also are co-authors of *Street Smarts: An All-Purpose Tool Kit for Entrepreneurs*. Follow them on Twitter at *@normbrodsky* and *@boburlingham*.

SCAN THE PAGE TO SEE NORM ANSWER ANOTHER QUESTION FROM AN ENTREPRENEUR. (See page 14 for details.)
Do you have a question for Norm? Write to him at *AskNorm@inc.com*.

Money

Tips for buying or selling a business PG. 70 Acing equity crowdfunding PG. 72

Apply Capital. Build Wealth

"We had a quarter of a million dollars in the bank but couldn't figure out where it should go."

—MURDER MYSTERY COMPANY FOUNDER SCOTT CRAMTON, who lost control of his company's finances as it expanded nationwide

PG. 74

PHOTOGRAPH BY **RYAN LOWRY**

Looking to Buy or Sell a Business?
Here's a snapshot of three hot industries on BizBuySell.com.

Restaurants

***Businesses sold in third quarter 2013:* 377**
***Increase from third quarter 2012:* 109%**

A recent restaurant sale in Dallas:
Annual revenue: **$1.3 million**
Asking price: **$780,000**
Sale price: **$780,000**

Tip Sheet

Let's Make a Deal

After fizzling out during the recession, the business-for-sale market is booming. Here's what buyers and sellers need to know BY **JENNIFER ALSEVER**

IN JUNE, Soledad Manaay listed her in-home elderly care business, Care on Call, with a broker. Within three months, she received 10 offers for the profitable Belmont, California, company, which had 50 employees and $2.5 million in annual sales. She sold the seven-year-old business in November for $1.3 million, just below her asking price of $1.5 million. "I was surprised that so many people were interested," says Manaay, who plans to launch a nutritional supplement business next. "If you can show profitability, there are a lot of buyers."

The economic recovery may not be creating jobs, but it has sparked a surge in sales of small businesses. The number of deals tracked by the marketplace BizBuySell.com rose to 1,685 in the third quarter of 2013, a 42 percent jump from the same period a year earlier. That's the third straight quarter in which sales have jumped significantly. Restaurants, retail operations, and service businesses are experiencing the most growth. "After four years of depressed selling and buying activity, the markets are coming back," says Curtis Kroeker, group general manager at BizBuySell.com.

What's driving the trend: Now that sales are improving, many baby boomers who hunkered down during the recession are eager to sell their companies and retire. Meanwhile, banks are loosening up the purse strings: In the past two years, 13 of the nation's largest banks increased lending by $17 billion, according to the U.S. Small Business Administration. Last year also marked the third-highest year of lending to date by the SBA. If you're thinking about getting in on the action, keep the following tips in mind.

TIPS FOR SELLERS

THINK BACK; PLAN AHEAD

Don't expect to snag prerecession offers unless you have outperformed the market. Buyers will value your company on the basis of average sales for the past three to four years. Ideally, your company should have at least one year of sustainable growth before going on the market, says Mike Maak, president of NorthEast Business Advisors in Rochester, Massachusetts. You could sweeten the deal by helping finance the sale and agreeing to stay on as a consultant.

EVALUATE YOUR NEEDS

Check your needs against your company's valuation. If you're hoping to fund your retirement with the proceeds of a business sale, keep in mind that the Bush-era tax cuts expired in late 2012, resulting in a tax increase (to 39.6 percent) on the highest earners. That means you might not take home as much money as you would have if you sold your business just two years ago. Once again, advance planning is key: Calculate how much you will need to retire, or satisfy another financial need, and compare that with your company's valuation.

Retail

***Businesses sold in third quarter 2013:* 539**
***Increase from third quarter 2012:* 60%**

A recent liquor-store sale in LaGrange, Georgia:
Annual revenue: **$3.45 million**
Asking price: **$3.3 million**
Sale price: **$3.3 million**

Service

***Businesses sold in third quarter 2013:* 617**
***Increase from third quarter 2012:* 15%**

A recent fitness-center sale in Little Rock:
Annual revenue: **$245,000**
Asking price: **$290,000**
Sale price: **$275,000**

TALE OF TWO TAKEOVERS
Jonathan Sposato says selling two companies to Google taught him to "move fast and manage fast."

WHAT I WISH I HAD KNOWN BEFORE SELLING TO GOOGLE

Jonathan Sposato
Founder of Phatbits and Picnik

I FOUNDED PHATBITS, which made XML desktop applications, in 2004. A year later, Google offered to acquire the business. We closed the deal after quick and collegial negotiations, and our group integrated into the Google Gadgets division easily. My one regret was agreeing to stay on for four years. I wound up leaving after a year. I underestimated what it would feel like to be a salaryman, no longer in control of my own destiny. But overall, the integration was a success.

When I sold Picnik, a photo-sharing site, to Google five years later, I assumed everything would be about the same. That wasn't the case. This time, negotiations were complex, lasting almost six months. We faced a dizzying amount of changes in the first three months after the acquisition, being shuttled from one part of the company to the next. One-third of our 25-person team, including my two business partners, quit right off the bat. I stayed for two years to offer some sense of continuity. By 2012, Google shut down Picnik entirely. I felt like I let a bunch of great people down.

Looking back, I should have insisted that Google's crystal ball for Picnik was clearer. I sometimes wonder whether I should have sold the company at all. Now, as an angel investor in six startups, I advise entrepreneurs who are thinking about selling to think carefully about the return on investment, including the effect on team culture, not just the bottom line. —AS TOLD TO J.A.

FOR BUYERS

ACT SOON
There are plenty of good deals available for buyers. But as company financials continue to improve, the gap between asking prices and sale prices is narrowing, says Kroeker of BizBuySell.com. One key metric to consider when valuing a business is cash flow, which should cover any loan payments and capital equipment purchases, in addition to your desired salary.

DON'T GET COCKY
With the economy on the upswing, it might be tempting to underestimate the amount of cash you will need on reserve when buying a business, warns Roger Murphy, CEO of Murphy Business & Financial, a business brokerage in Clearwater, Florida. "Most buyers think they're going to do better than the sellers in growing the business," he says. "But things may change, and you may have setbacks."

WANT FUNDING FROM THE CROWD? GET READY TO BARE YOUR SOUL

Long-awaited SEC rules clarify how entrepreneurs will one day raise money on crowdfunding portals. The process starts with disclosure. Lots of it

LOUIS DAY hopes to raise $2 million to fund a nationwide expansion of NS Capital, his investment advisory firm. But Day, who founded the business in Stamford, Connecticut, in 2008, doesn't plan to hit up banks, VCs, or angels. He plans to launch a crowdfunding campaign.

In what must be the longest anticipated development in entrepreneurial funding since the invention of paper currency, the Securities and Exchange Commission finally proposed a set of rules that will allow private companies to offer and sell securities through online crowdfunding portals. It's all part of the slow rollout of the JOBS Act signed by President Obama almost two years ago. The law will allow businesses to raise up to $1 million a year from unaccredited backers (defined as people with a net worth of less than $1 million—excluding the value of their homes—or annual income of less than $200,000). The rules, which the SEC approved unanimously, have been in a 90-day comment period ending this month. The final regulations could take effect by this summer.

Day, who has raised $600,000 from friends and family, is gearing up for his campaign. But equity crowdfunding will be a lot tougher than soliciting donations on Kickstarter. Here are four things to consider before jumping in. —DARREN DAHL

Illustration by **FEDERICA BORDONI**

You Have to Choose the Right Platform

There will be a variety of SEC-approved crowdfunding portals, and to raise funding this way, you'll need to use one of them. The assortment of offerings isn't laid out yet. One thing's sure: There will be a few that emerge as the best or most reliable, so it might be best to not jump the gun here; hold off until you're sure you are making the right choice. Several crowdfunding portals, including SeedInvest and CircleUp, already help companies sell shares to accredited investors. The sites, which are ramping up to support crowdfunding from unaccredited investors, use an in-depth application process and software that vets investors to ensure they meet SEC requirements.

You Have to Know the Limits

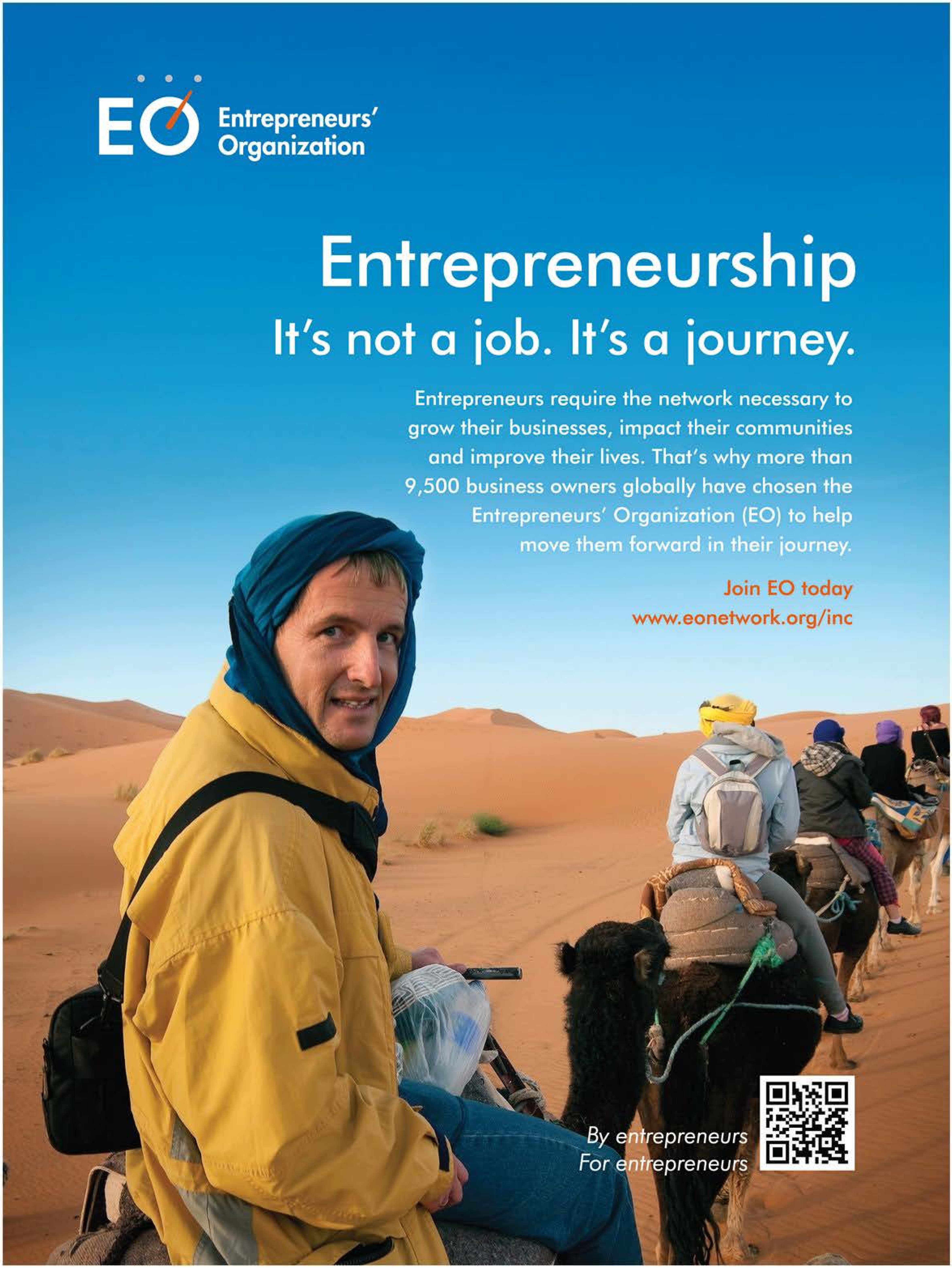
Because companies can raise up to only $1 million a year through crowdfunding, it is more useful to a mom-and-pop shop looking for a rev of its engine than it is for the next Palantir or Amazon. Another limitation is that investors cannot sell their shares for a year—so both they, and your company, are locked in. Also, keep in mind that you must establish a company valuation to set a share price. That can be tricky for early-stage companies. CircleUp helps by providing data on comparable businesses. If your company has a longer record, consider hashing out a valuation with VCs or angels, who might be interested in investing later.

You'll Have to Share (a Lot More Than You're Used To)

If you're fundraising in the open, you're truly in the open. Equity crowdfunding will require you to make plenty of disclosures to the SEC and investors, including financial statements that, depending on the amount you offer and sell during a 12-month period, must be audited or accompanied by a copy of your company's tax returns. You must disclose information about company officers, directors, and anyone who owns 20 percent or more of your business. You must also explain what you plan to do with the funds you raise. The good news? Many equity crowdfunding platforms offer tools that make it easier to share information with investors. Day is preparing by adding an explanatory video and other information about the business to its website.

You Have to Deliver

Think about how you will deliver returns to investors. If you plan to sell your company within a certain time frame, make that clear up front. If you have no plans to sell, consider establishing a secondary market within your company that would allow investors to sell shares to other shareholders. "Entrepreneurs have a huge responsibility when they take on investors," says Sherwood Neiss, principal at Crowdfund Capital Advisors, a consulting firm that helped craft the crowdfunding legislation. "You have to do what you say you are going to do." When dealing with a crowd of unsavvy investors, that responsibility is even greater.


EO Entrepreneurs' Organization
Entrepreneurship
It's not a job. It's a journey.
Entrepreneurs require the network necessary to grow their businesses, impact their communities and improve their lives. That's why more than 9,500 business owners globally have chosen the Entrepreneurs' Organization (EO) to help move them forward in their journey.
Join EO today
www.eonetwork.org/inc
By entrepreneurs
For entrepreneurs

MYSTERIES OF FINANCE

Nice growth company you got there. So how come you're running out of cash?

By **JILL HAMBURG-COPLAN**
Photograph by **RYAN LOWRY**

For an entrepreneur, there is nothing worse than a cash-flow squeeze. Actually, there is one thing: a cash squeeze that occurs while you think business is booming. Yet it happens all the time, one of the many financial mysteries business owners need to solve. In the following pages, you'll meet three owners who grappled with this and other vexing questions and came away understanding that you have to watch a few key financial numbers—and understand what they really mean—if you want to keep that nice little company of yours on track.

SCAN THE PAGE TO SEE IMPROV PERFORMERS FROM MURDER MYSTERY COMPANY ACT OUT THE BUSINESS'S FINANCIAL PROBLEMS. (See page 14 for details.)

GANGBUSTERS
As Scott Cramton's theater troupe, Murder Mystery Company, expanded nationally, its finances became increasingly puzzling.

Will this capital spend save me or kill me?

ON THE SURFACE, business seemed great at Murder Mystery Company, the theater company Scott Cramton founded in 2009. By 2012, the business had sales of $4 million, 30 full-time employees, 800 independent contractors, and troupes in 25 cities putting on roughly 5,000 performances a year. But the fast growth had a downside: Cramton realized he was losing control of the company's finances.

Three years earlier, Cramton quit his job as a furniture salesman to focus on building the company, which he had been running part time out of his basement in Grand Rapids, Michigan. Encouraged by the local success of the business, which put on interactive theater performances, mostly at private parties, he set up websites advertising the business in several cities around the country. When he got a few bookings in one city, he would fly there to hire and hold rehearsals with local actors. In some cities, he established and trained a part-time satellite troupe to do several weekly shows, including small birthday dinners and large corporate events spanning several days. He hired salespeople, who, in turn, added cities quickly, including Orlando, Chicago, Seattle, Los Angeles, and New York City. In some places, the theater company began putting on weekly performances in restaurants. "It's not a very hard sell," Cramton says. "We find mom-and-pop restaurants with good food. We say, 'You need customers. We'll pay you money. Would you like to do 18 parties of 200 people?' "

As the company grew, Cramton lost his handle on its finances. Incidental expenses—for gas, props, costumes, and copying playbills—were out of control, reaching as high as $8,000 a month in total. "It was impossible for us to keep track of thousands of transactions," he recalls. Managers were traveling around the country putting out fires, which cost the company as much as $10,000 a month for airline tickets, hotels, and rental cars.

Meanwhile, Cramton also suspected that as many as 5 percent of customers were sneaking into shows without paying. And those who did pay were buying their tickets online as many as six months in advance. That might seem like a good thing. But Cramton had a hard time tracking the enormous reserve, which included hundreds of thousands of dollars earmarked to cover future dinners, salaries, and other costs. The company had no real accounting system, and its part-time accountant was lobbying hard for a chief financial officer or controller. Cramton knew the accounting troubles were getting out of hand, but he was opposed to "paying people too much money to watch our money," he says, adding: "I didn't want to spend $2,000 to save $1,000."

DOUBLE-EDGED DAGGER

To decide if a capital investment will pay off, ask if it will bring money in the door. If it won't, forget it: Just put your head down and keep pushing forward.

So Cramton considered an alternative: buying 25 tablets, one for each troupe, that would serve as virtual "will call" ticket windows at various performance venues. Using the tablets, employees could check in audience members who had paid online and take payments at the door from those who hadn't. Troupes could also use the tablets to hold Skype videoconferences with managers at company headquarters, which was likely to cut down emergency travel. Meanwhile, Cramton was also weighing the benefits of developing cloud-based accounting software that could be loaded on the tablets and would suit his company's unique needs. But given all the other drains on the company's cash, neither investment seemed like a sure thing.

Any growing company eventually comes face to face with the question Cramton did: Is it time to put capital into building new capacity, and will it pay off if you do? It's a tough one. Gary Kunkle, *Inc.'s* resident economist and a specialist in long-term growth strategies, says one of the biggest reasons growth companies stumble is that they fail to invest in capacity and can't keep up with demand. Which is sobering enough—until he adds that another major pitfall for growth companies is investing too much capital to meet demand that never materializes. In that case, your capital outlay could create a burden (in leasing fees, debt payments, or depletion of precious cash) great enough to sink the business.

Many entrepreneurs make the mistake of getting stuck on the niceties, wondering if the capital investment will streamline things or add convenience, says John Terry, founder of Dallas advisory firm ChurchillTerry. Instead, Terry says, you should focus on one simple question: Will it bring money in the door? If it won't, he adds, "just put your head down and keep pushing forward."

Cramton calculated that 25 Samsung Galaxy tablets would cost less than

VITAL SIGNS

Maybe you can recite the following financials for your company, and maybe you can't. But bankers, investors, and buyers want to know them, because they're the best indicators of your company's health.

CURRENT RATIO

It's a basic measure of solvency. Lenders generally want to see a 2:1 ratio.

HOW TO CALCULATE
Compare current assets (cash, receivables, and inventory) with current liabilities.

QUICK RATIO

It's the current ratio with inventory removed. The quick ratio tells you if you have enough readily available funds to cover short-term obligations. It should be at least 1:1.

HOW TO CALCULATE
Compare cash plus receivables with current liabilities.

RETURN ON ASSETS

This ratio lets you know if you're using your assets efficiently. It's industry specific, but the higher, the better.

HOW TO CALCULATE
Compare net profits before taxes with total assets.

ACCOUNTS RECEIVABLE TURNOVER RATIO

This ratio tells you how quickly your company is collecting on receivables. It's also industry specific, but it should be as low as possible. If it jumps up, you've got a liquidity issue.

HOW TO CALCULATE
Compare average receivables with annual sales.

OPERATING CASH-FLOW RATIO

It tells you the volume of cash you are generating compared with the amount you will have to lay out.

HOW TO CALCULATE
Compare cash flow from operations with current liabilities.

PRETAX NET PROFIT MARGIN

It helps lenders (and you) benchmark your profitability against others' without the sometimes uncertain variable of taxes.

HOW TO CALCULATE
Divide net pretax income by sales.

INVENTORY TURNOVER

You can think of inventory as frozen cash, so you would like it to thaw as many times as possible. The ideal rate varies by industry, but if you see any decrease in your turnover, you need to find out the reason, pronto.

HOW TO CALCULATE
Track how many times your company sells its inventory in one year.

$3,000. Not bad. A nationwide data plan for all the devices would run $250 per month—a small fraction of the company's current emergency-travel expenses. As for customizing an accounting system, Murder Mystery Company's in-house IT person estimated he could create one in a couple of months, for about $10,000. Cramton decided the numbers were low enough, and that he had enough cash on reserve, to take the gamble.

A year later, IT is still refining the accounting system (named Watson, after Sherlock Holmes's sidekick), which came in on budget. More important, the software, which is installed on every tablet, is producing results. Since Watson began tracking the troupes' credit card activity, spending has decreased 75 percent, to about $2,000 a month. Cramton attributes the drop to the fact that employees are spending more wisely now that their activity is being tracked. The savings paid off the cost of the accounting software in less than half a year. Meanwhile, spending on emergency travel has dropped off almost completely. And now that workers are cracking down on people sneaking into performances, the company is saving a couple hundred dollars per performance, estimates Cramton. Best of all, his troupe members began using tablets to sell souvenir photos that are shot by a professional photographer, then printed and framed on-site. The unexpected revenue stream has produced more than $200,000 a year. In 2013, Murder Mystery Company generated roughly $12 million in sales.

Cramton clearly made the right decision when he bought the tablets. By Terry's calculation, eliminating the 5 percent theft rate has boosted profits at each show 40 percent, on average. The most astonishing result was the windfall from selling souvenir photos, he says: "That may be one of the single best capital investments ever made."

Terry thinks Cramton could achieve even greater cost savings by distributing prepaid debit cards, instead of credit cards, to troupe members. He should also consider establishing an incentive plan for each city's manager. For instance, he could give managers 10 percent of any additional revenue stemming from their suggestions. "For every dollar they add, he would get an additional nine," Terry says. "That's a huge return."

CASH CRUNCH

I'm making a profit. So why am I running out of money?

ALAN KNITOWSKI treats cash flow like a religion at Phunware, his mobile apps company. But it took two liquidity nightmares at previous companies to show him the way. In the 1990s, Knitowski co-founded his first company, communication software provider VoViDa, with just six

months of funding. In those days, Knitowski explains, it took much longer to develop software, and VoViDa was plowing large amounts of cash into paying programmers. "We were burning money constantly, faster than was sustainable, until we became a buffalo charging off a cliff," Knitowski recalls. Fortunately, he and his team raised enough equity funding to stay alive until Cisco Systems acquired the Silicon Valley business, less than two years after it was founded.

Cash-flow problems were even worse at Caneum, the IT outsourcing company where Knitowski was an investor and member of the board of directors from 2003 to 2009. When California failed to pass a state budget one year, one of Caneum's major clients, the Los Angeles Unified School District, was unable to pay its $660,000 bill. Caneum was also struggling to collect a $750,000 payment from another client that was undergoing personnel shuffling. Then, the global credit crisis hit in late 2008, leaving the business without access to cash. The company went bankrupt the following year, and Knitowski took a huge hit on his investment.

When sales and profits are surging, it's easy to assume that your business is bulletproof. But companies can turn a profit right to the brink of bankruptcy. How? The quick answer is that when companies grow, they become more complex. When you have a handful of customers, tracking down payments is easy. As your client base grows, staying on top of accounts receivable becomes more time consuming. New customers may insist on paying in, say, 60 days, even though rent, payroll, and other bills are due in 30.

Meanwhile, more cash is flying out the door to cover inventory, higher taxes, government-compliance expenses, and debt. "As sales go up, cash can go down," says William Lenhart, a business-restructuring consultant with BDO Consulting in New York City. "Every growing business has that problem." But, Lenhart says, many businesses fail to focus on liquidity. That could be because entrepreneurs are focused on selling and satisfying their customers. But if you don't make cash-flow management a priority, Lenhart says, "you could be in big trouble in a short period of time."

Knitowski says the experiences at VoViDa and Caneum taught him a valuable lesson: To survive, business owners have to view cash as their lifeline. When Knitowski co-founded Phunware in 2008, he decided to make cash-flow management a central focus at the company, which develops and hosts mobile apps for clients such as the NFL and Nascar. Every Friday afternoon, Phunware's controller emails an overview of the company's financials to the management team, including data on key metrics such as cash on hand, obligations, and the quick ratio, which the company derives from dividing cash plus receivables by current liabilities. "We don't let one week go by," Knitowski says.

YOU GET ONE SHOT

Most entrepreneurs are focused on selling. But if you don't make cash-flow management a priority, your business could be in big trouble in a short period of time.

The team dissects the data and tracks trends over time. If cash is trending down, it could be owing to seasonality. Or Phunware may be spending too much—making too many investments in technology, say, or hiring too many people. (The company now has 160 employees and generated roughly $22 million in sales last year.) These days, the company is particularly focused on accounts receivable, which are hovering around $5.5 million. The team asks a lot of questions: Are companies paying us too slowly? Which customers haven't paid us, and how delinquent are they? What action should we take?

Knitowski has also adopted a color-coded system: If Phunware has more than 18 months of cash on hand, it's a green light. Twelve to 18 months of cash is a yellow light, and less than a year of cash is a flashing red light. When the light turns yellow, Phunware turns to a working capital line of credit, asset-backed loans, bridge financing, or equity funding. Thankfully, the light has never turned red.

Phunware also pushes back when negotiating contracts with clients, refusing to accept payments later than 30 days after delivering a product. The company asks some clients to put 50 percent down when signing a contract. And the business is structured so that a portion of revenue comes from semi-annual subscriptions, which produce predictable, recurring income.

Phunware isn't shy about hunting down delinquent customers. Nine times out of 10, Knitowski says, those clients wind up paying. He assumes the remaining 10 percent have financial problems they're refusing to disclose. The hard-nosed approach has cost Phunware some customers, but that's a price Knitowski is willing to pay. "I always assume nuclear winter, which makes me conservative and diligent," he says. "That way, things will never be so bad again."

Lenhart applauds Phunware's weekly cash-flow analysis. He also likes the fact that a portion of the company's revenue comes from subscriptions. As the business continues to grow, he says, it will be crucial for Phunware to have the right billing department in place. After all, the department that handled billing when Phunware was a $1 million company may not be up to the task when it's a $30 million company. He also recommends that Phunware adjust its line of credit with the bank at least once a

▸ CONTINUED ON PAGE 106

ARE YOU REALLY AS SMART

A lot of business owners think they have the investing game figured out. But here's some

YOU'VE HEARD the advice before: Diversify, make time work for you, and embrace stocks. For most folks, those are the core pillars of any investment strategy. For business owners, that's true only up to a point. You are different and need to invest accordingly.

That assumes, ahem, that you're investing at all—and haven't fallen for the old misconception that your company is the only investment you will ever need. Says Jeffrey Levine of Alkon & Levine, a Newton, Massachusetts, accounting firm specializing in small business: "I want entrepreneurs to know that the odds that their company will become a huge success—enough to meet all their financial needs through retirement—are against them. So it's important to put something aside on a regular basis." In other words: Build your company as if it will last forever, but invest your personal wealth as if everything will collapse tomorrow. We talked with experts such as Levine and Allan Roth, of Wealth Logic, an investment-advisory firm in Colorado Springs, Colorado, about the other mistakes business owners make. Here are some ways not to be your own financial enemy.

1 Be a Conservative

You already believe that you aren't like regular wage earners—and when it comes to investing, you're not. Your salaried peers, even at the same age, are going to be more aggressive in their investments. "There is no single magic metric for entrepreneurs," Roth says. "Adages like 'Subtract your age from 100 and that's the percentage of your portfolio that should be in stocks' just don't apply. It's highly situational." That said, Roth suggests that entrepreneurs who have substantial assets invested in their companies should favor more conservative options. Moshe Milevsky, author of *Are You a Stock or a Bond?*, says launching a company is like investing in an über-growth stock: When it comes to your portfolio, you should be a little more bond-centric as a hedge against your risky line of business.

Source: Morningstar

AS YOU THINK?

money-management advice that may save you from yourself in the long run BY **SCOTT LEIBS**

2 Save Something. Please.

It's almost a cliché in the small-business community: You take every last dime in your pocket or every last dime from your friends and family and plunk it right into your business until death do you part. But as you can see from the chart (right), the return on that investment is far from a sure thing. Simply put, sinking your every last cent into your company isn't a good idea. In fact, treating your business as your sole investment is the ultimate "antidiversification" strategy. Says Levine: "To me, it always makes sense to save for a rainy day...build your business *and* your portfolio."

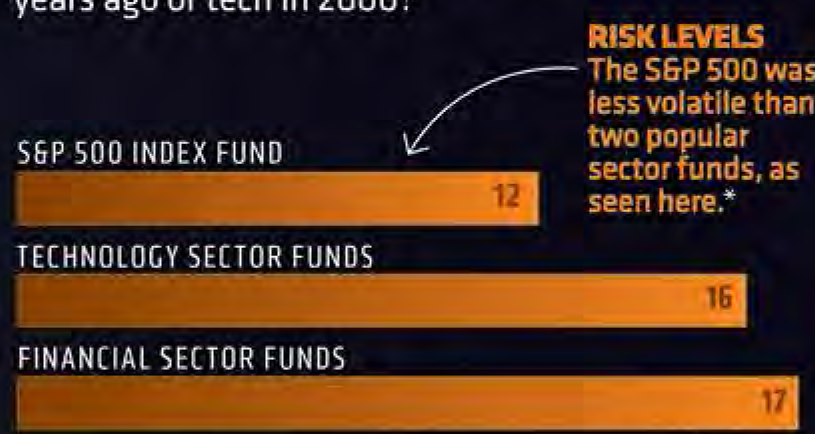
Source: Small Business Development Center

3 Startups Have Their Own Tax Privileges

Especially in the startup years, you may have tax-savings options that employees don't. Here's one sometimes overlooked move that has helped owners who are booking losses. Wealth Logic's Roth suggests a Roth IRA conversion strategy. Normally, when converting from a traditional IRA to a Roth IRA (no relation), investors pay tax. But an owner suffering a loss can often make the conversion tax free—by offsetting losses from the business against income from the conversion. Bottom line: You move tax-deferred IRA funds to a tax-free Roth IRA without paying taxes, or by paying only a low marginal rate.

4 Don't Fall in Love With Your Own Expertise

"One common mistake that entrepreneurs make when investing," says Roth, "is to invest too heavily in the industry that their business is in. They feel that because they know that sector so well, they stand a better chance of success." Far from guaranteed. Sure, you might get lucky, and your sector could leave the S&P in the dust. But keep in mind that such outperformance can also reverse. Remember those banks a few short years ago or tech in 2000?



Source: Morningstar

**Risk measured using three-year standard deviation, December 2010–November 2013. Higher numbers equate to higher volatility.*

Barry Schuler

Valuation Voodoo

It may not seem like it, but there's a rhyme and reason to how VCs price your company

NOTHING SEEMS TO GRAB headlines more than a company that raises, say, $50 million and is valued at $2 billion. No revenue? Doesn't matter. Then there's the promising young company that actually has $20 million in sales but ekes out a valuation of $200 million. (Sounds like an episode of *VCs Gone Wild*, doesn't it?) But when you look deeper, it's all about metrics. And that's why business owners have to know how venture capitalists think. Nothing is more important than coming up with an appropriate valuation for your company.

Most entrepreneurs think the correct valuation is the highest one they can get. Nope; it has to be realistic and match the results you can actually produce. Here's the deal: Traditionally, revenue and profit have been the gold standard metrics. But those rarely reveal what really makes the most promising startups tick. That's because capital-hungry companies are in expansion mode and will be operating at a loss and burning cash. In addition, the metrics VCs focus on have evolved over the years. And the competition for good deals can drive prices up. To help you sort out all this voodoo, here are some of the most popular models VCs consider.

Barry Schuler is managing director of DFJ Growth and former CEO of America Online. He can be reached at *BarryMSchuler@gmail.com*.

Recurring revenue

Investors will pay a premium to hear the sound of the cash register ringing with predictability. The subscription revenue model was once the exclusive province of magazines and pay TV. Now the entire software industry has moved in this direction with the introduction of software as a service, where you pay a monthly fee and get free updates. The beauty of this model: Once the costs of acquiring a subscriber are established, and the cancellation rate, or churn, is figured out, investors can calculate how each dollar invested will increase the value of the business.

If they come, we will fund it

Audience growth is VC eye candy, especially for Internet companies. The presumption is that if you have something that the masses are flocking to, the company will figure out a way to make money from it. The social trinity—Facebook, LinkedIn, Twitter—all garnered nosebleed valuations this way.

Freemiums

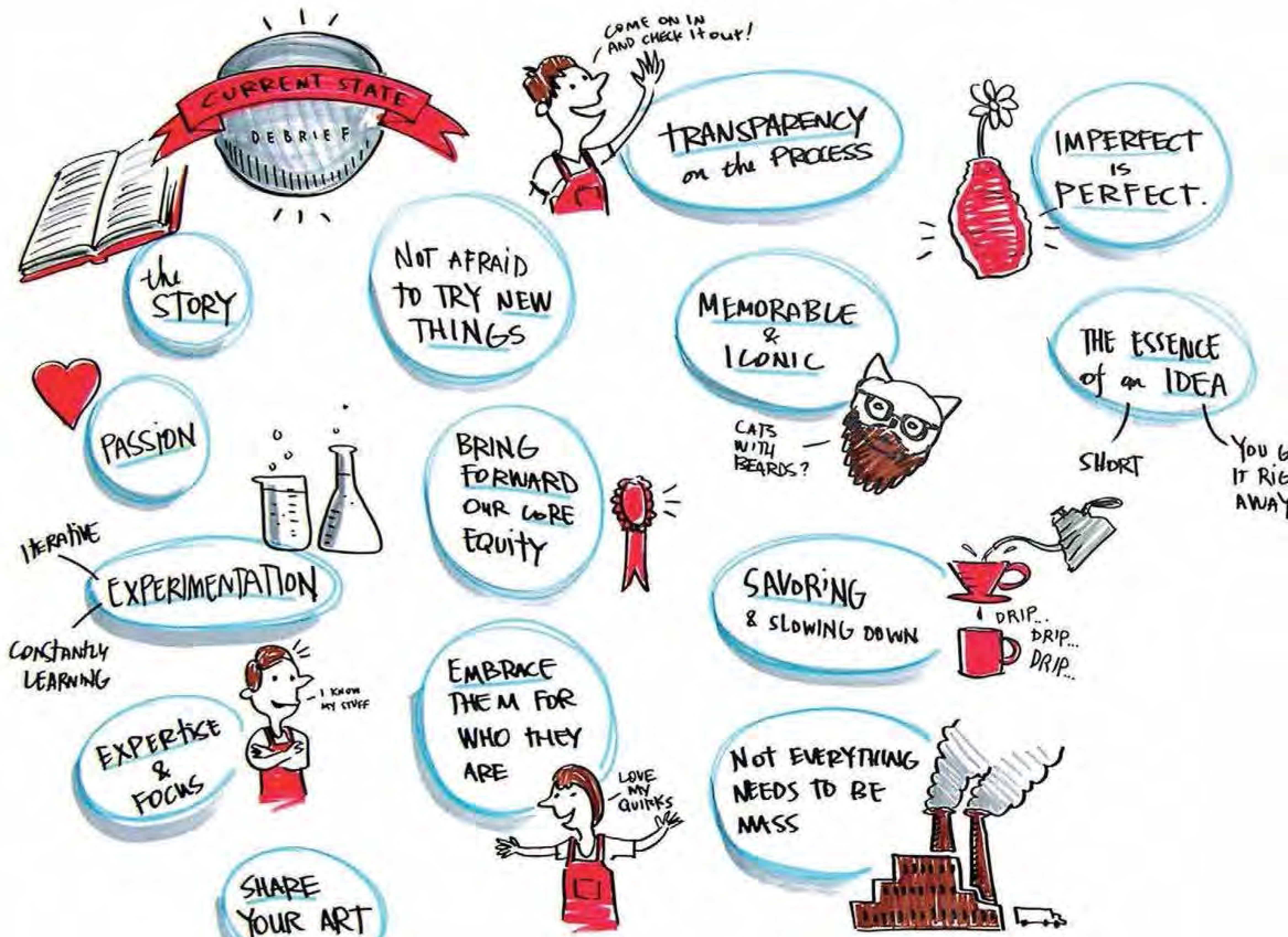
Freemium is a go-to-market approach that allows customers to try a product before buying. Then, if they like it, they buy the whole thing or maybe some extra features (common in games such as Candy Crush). This model often goes hand in hand with recurring revenue. That's because the free version may convert into a subscription. VCs also focus on conversion rates: what percentage of free users ultimately start paying.

SO THERE YOU have it—three popular models VCs love. But consider this: Expansion-stage investors care most about the growth rate of the metrics most relevant to your business model. Surprisingly, how fast you get profitable may not be the most important. Dramatic growth is the real gold standard. And if you can establish that, buckets of cash may end up on your doorstep.

Ideas.
Breakthroughs.
Disruption.

Innovate

How to boost creativity **PG.86** Inside the mHealth revolution **PG.94**



"Using visuals during meetings creates more ideas, creates better ideas, and increases recall."

–MARTIN EPPLER, professor at the University of St. Gallen, Switzerland

PG.88

PICTURE THIS
Purina hired graphic facilitator Sunni Brown to sketch this during a strategy session.

Tip Sheet

SCIENCE OF THE CREATIVE MIND

To really unleash your company's creativity, look to the squishy place it all begins: the chemistry in the brain

THAT BREAKTHROUGH idea you had that doubled sales? Your incredibly funny quip at the strategy meeting? Don't get too full of yourself—you were probably just having a good day chemically.

Or so says Baba Shiv, a marketing professor at Stanford's Graduate School of Business. Shiv's research focuses on the role neural structures play in decision making and economic behavior. He has also long been fascinated by the biological roots of creativity.

According to Shiv, creativity resides at the intersection of two primary pathways in the brain. Along one pathway, the neurotransmitter serotonin governs whether you are operating from a sense of calm and contentment or from a position of anxiety and fear. On the other pathway, dopamine moves you from boredom or apathy to excitement and engagement.

The right neurochemical cocktail for your best creative work, according to Shiv, is a high level of both serotonin and dopamine. "This will produce a condition in which you are calm but energized," he says.

How do you achieve this blissfully creative state? For starters, you can reduce stress in the office. Spikes in stress hormones such as cortisol counteract the creativity-boosting effects of serotonin. Plus, stressed-out people tend to be closed off to new ideas, says Shiv. Studies of baboons have shown that when experiencing stress, they refuse to seek out new territory (or mates, for that matter). For humans, that means people are more likely to stick to familiarity when under too much pressure.

Poor sleep can also have negative effects on creativity. Shiv says people need up to

FOUR CREATIVITY BOOSTERS

1. Schedule morning meetings
2. Eat a protein-rich breakfast
3. Walk before—or during—meetings
4. Reduce workplace stress

BUILT FOR CREATIVITY

Your office design can help kindle employee creativity. Here are a few pointers from Scott Wyatt of NBBJ architects, which has designed offices for Google and the Gates Foundation.

Go Natural

Employees are more creative (and less stressed) when they can look up from their work and see trees and natural light. Even if you're in a city, try to give everyone window views. Or at least buy your poor employees some plants.

SPREAD: ILLUSTRATION: ANDY MARTIN; CLOCKWISE FROM TOP: COURTESY COMPANY; GETTY (2); JOE BEYNON/GETTY

two hours of deep, non-REM sleep each night for the brain to restore the proper levels of serotonin. This sort of deep sleep accounts for less than 30 percent of the average person's slumber, but it can be diminished by sleep interruptions as well as alcohol and caffeine consumption.

Serotonin levels tend to be highest in the morning, making it an optimal time to schedule brainstorming sessions. To make the most out of the morning's elevated levels of serotonin, Shiv suggests nixing carbs in favor of a high-protein breakfast. "That's the best brain food," he says. "The proteins produced from it in the body are converted to the much-coveted serotonin and dopamine." And caffeine? It acts as a "physiological arouser," says Shiv. In other words, it will magnify whatever emotion you're already feeling. Translation: If you're on a hot streak of developing new ideas, have another cup of coffee; if you're anxious about meeting your budget, skip it.

Cardiovascular exercise also enhances the neurological conditions for creative thinking, by releasing a peptide that helps produce serotonin. If you have an afternoon brainstorming meeting, Shiv recommends first taking a 10- to 15-minute brisk walk. "Or, better yet, walk and talk," he says.

Maintaining a variety of intellectual interests also keeps the creative juices flowing. Shiv says it's important to talk to people in other disciplines and read widely outside your field to develop "knowledge nodes"—bits of unrelated information that can come together to produce an unexpected solution. "This is how Steve Jobs operated," Shiv says. "His wide-ranging interests allowed for a creative lifetime of connecting the dots." —RYAN UNDERWOOD

CREATIVE CULTURES

Here's how three companies break from routine to help promote creative thinking.

① IMPROV CLASSES

Method, a San Francisco-based maker of cleaning products, offers employees training in improv acting—not to check the box on some management fad but to give them an understanding of how small performance details such as stance, breath, or mindset can help improve creative thinking. Method also attempts to shift employees' perspectives by requiring everyone in the company to serve as the office receptionist for a day, all in an effort to keep people "weird, creative, and humble."

② BRAIN BREAKS

The New Jersey-based startup Caktus makes the Hug, a device that keeps tabs on how much water you drink. But once a month, the company's four Finnish co-founders set aside 24 hours to let their brains run wild. They'll start brainstorming over a drink (or a few) on Thursday afternoon and give themselves until Friday evening to come up with a dirty prototype—or a really good blueprint. "It's just a way to give our brains room to breathe," says co-founder Panu Keski-Pukkila.

③ HACKATHONS

At Animoto, a New York City-based startup that converts photos and video clips into online movies, money is on the line in a quarterly hackathon, meant to spark new ideas from the company's 65 employees. Cash prizes of $500 are given to the winning teams in three areas: most technically challenging, most useful, and people's choice. A recent winner improved the service's synchronization of images and music, a fix that will be included in an upcoming software release.

Think Paris

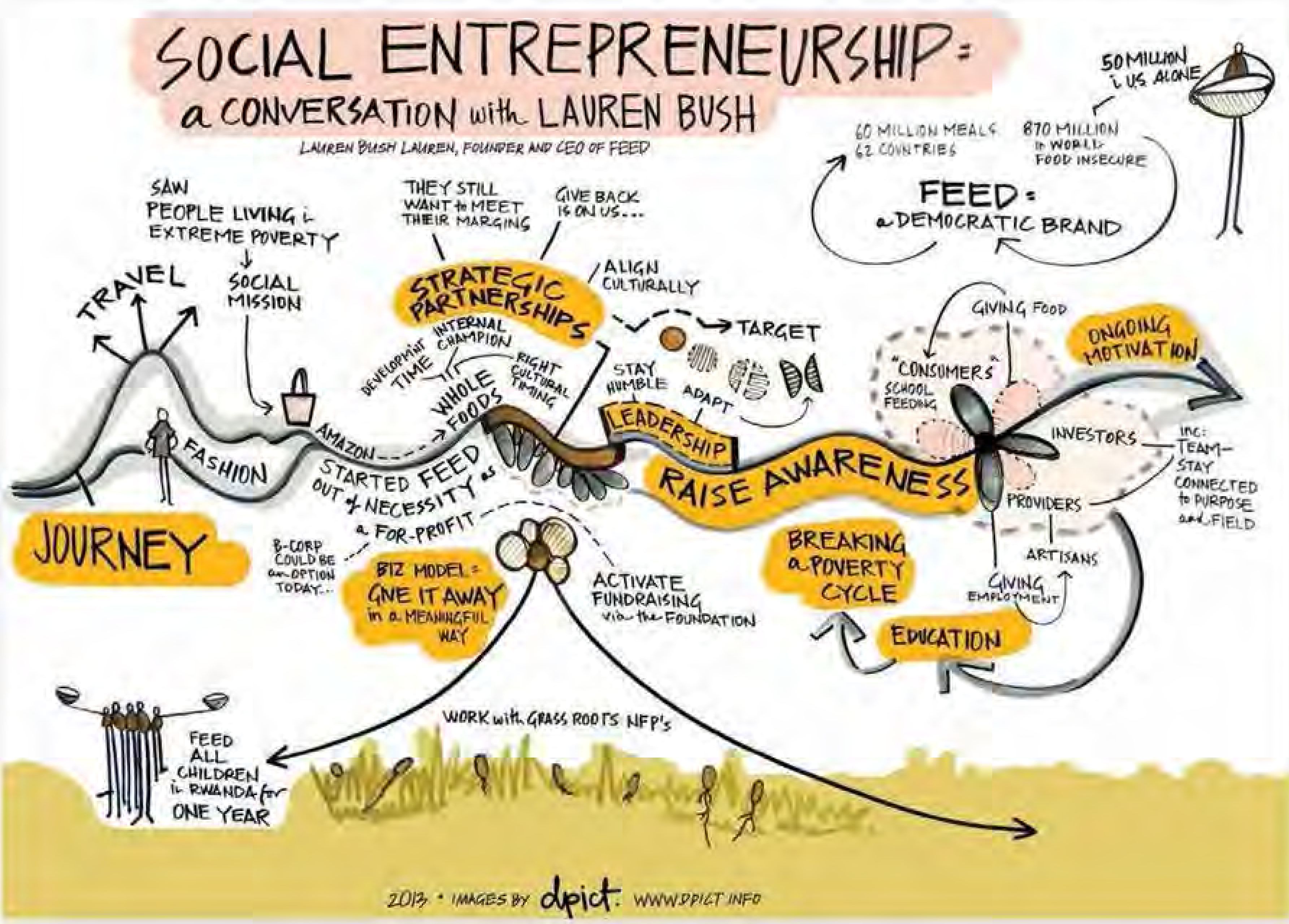
The ideal office layout? A system of quiet side streets and grand boulevards like the Champs-Élysées in Paris. Employees have quiet to think, but they're still forced to mingle with—and bounce ideas off of—their co-workers.

Raise the Roof

If you want to promote blue-sky thinking, you should increase employee headroom at the office. Studies suggest that higher ceilings in the workplace encourage abstract, conceptual thinking.

The Art of Inspiration

Why companies are hiring artists to record their brainstorms



BUST OUT THE MARKERS
Want to sketch your own ideas? Here are three tips from expert doodler Sunni Brown.

1. KEEP IT SIMPLE
Stick with easy visual metaphors: a forked road to indicate choice, an exclamation point for excitement.

2. LINK YOUR THOUGHTS
Draw a box around words relating to one idea. Use arrows and lines to show relationships between ideas.

3. GET EVERYONE SKETCHING
Let your whole team take turns at the whiteboard. As people doodle, "their thinking will change," says Brown. "And that will open up new ideas, solutions, possibilities."

NOTEWORTHY
Kelvy Bird, co-founder of Dpict, a graphic facilitation company in Massachusetts, sketched this as Lauren Bush Lauren, CEO of FEED, spoke at the Inc. Women's Summit last year.

"ENTREPRENEURSHIP!" offered one executive.

"Going above and beyond," mused another.

As they spoke, an artist scribbled furiously on an 8-foot-wide whiteboard. Soon, a drawing of a half-eaten apple emerged to represent the company's core values.

This was part of a recent two-day strategy session at Grasshopper, a provider of virtual phone systems that's based in Needham, Massachusetts. Co-founder David Hauser paid a specialized artist (or, as people in the field prefer to be known, graphic facilitator) $3,000 to take notes as Grasshopper's eight-person executive team formulated the company's goals. "It really improved the conversation," says Hauser. Later, the final sketch was photographed and printed on notepads, posters, and the company's website.

Many companies like Grasshopper are relying on these cartoonish doodles to help kindle ideas during meetings. It might seem silly, but these sorts of visuals are effective in brainstorming, says Martin Eppler, professor of media and communication management at University of St. Gallen, Switzerland. "We've found in our experiments that using visuals during meetings creates more ideas, creates better ideas, and increases recall," he says.

Some companies are even hiring graphic facilitators (you can find one at *ifvpcommunity.ning.com*) to coach workers on illustrating their own ideas. Sunni Brown, a graphic facilitator and author of *The Doodle Revolution*, often directs "group doodles" in which employees work together—listening to and then sketching one another's ideas.

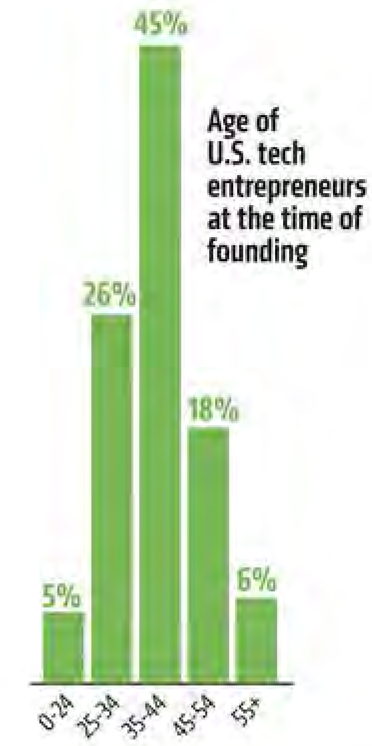
To loosen up reluctant artists, Brown starts by having people call out objects rapid fire for her to sketch. "I purposefully make my drawings clumsy," she says, "so people see the goal is not to make great art but to get down something of substance." Rachael Brown, a training manager for Zappos, took a two-day seminar from Sunni Brown in 2011, as did a few other managers. Now, Zappos employees regularly use the techniques in brainstorming sessions. "We try to play with the problem graphically," says Rachael Brown. "It helps spark new ideas, especially if we're stuck." —NANCY AVERETT

SCAN THE PAGE TO WATCH SUNNI BROWN DRAW. (See page 14 for details.)


Who's trolling who?

STILL DISRUPTING AFTER ALL THESE YEARS

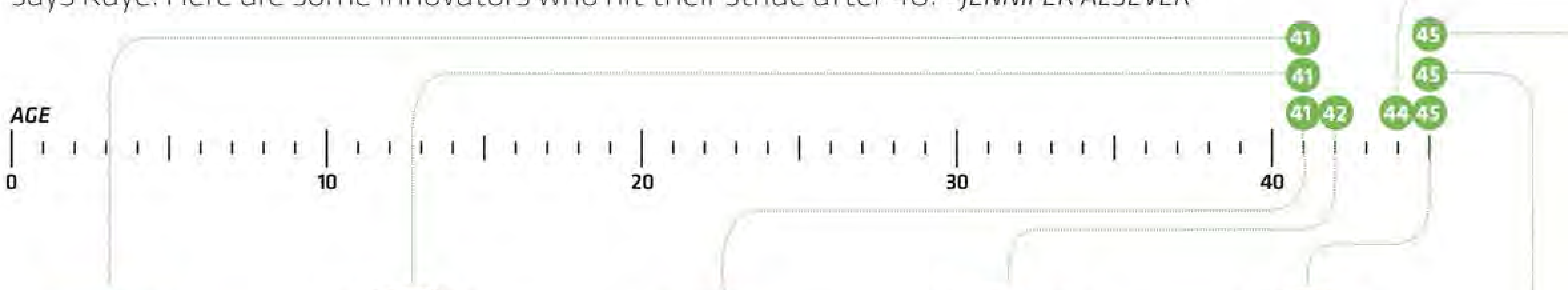
Who says innovation is a young man's game?



THE MARK ZUCKERBERGS of the world haven't cornered the market on innovation. New research suggests that middle age might be the ideal time to challenge the status quo. In fact, the average age that Nobel Prize winners and great inventors make their most notable breakthrough is 39, according to a study by Benjamin F. Jones, a professor at Kellogg School of Management. And twice as many U.S.-born tech entrepreneurs start ventures in their 50s as do those in their early 20s, according to a study by Singularity University's Vivek Wadhwa and the Kauffman Foundation.

Why are so many people trying to innovate later in life? Middle age brings confidence, experience, deeper networks, and maybe even some cash savings, says Debra Kaye, author of *Red Thread Thinking*. Plus, new brain research shows that the prefrontal cortex, which handles judgment and reason, doesn't fully develop until 25. And the brain continues to produce new neurons well into old age.

"If you keep using these new neurons, you can still compete with younger people," says Kaye. Here are some innovators who hit their stride after 40. *–JENNIFER ALSEVER*



SCIENTIST
GERTRUDE B. ELION
Elion developed treatments for many major diseases—including cancer, malaria, and AIDS. In 1959, at 41, she received a patent on a treatment for leukemia. She was awarded a Nobel Prize in medicine.

SCALED COMPOSITES
BURT RUTAN
In 1984, after decades of aerospace inventions, Rutan launched the *Voyager*, the first plane to fly around the world without stopping, at 41. At 62, he launched the first privately funded human space flight, with the suborbital space plane *SpaceShipOne*. Rutan, 70, recently retired.

STATESMAN
BENJAMIN FRANKLIN
Franklin began publishing *Poor Richard's Almanack* in his 20s, but he did not invent the lightning rod until he was 41, in 1749. He signed the Declaration of Independence at 70.

INVENTOR
NIKOLA TESLA
Tesla had a hand in many disruptive inventions, including electric motors and X-rays. One big breakthrough came in 1898, when, at 42, he demonstrated the first radio-controlled boat in New York City, helping to lay the groundwork for radio transmissions.

VANGUARD GROUP
JOHN BOGLE
After being fired from Wellington Management in 1974, Bogle, then 45, founded the Vanguard Group. Its innovative approach to fund management saved shareholders hundreds of billions in fees and disrupted the financial industry. Bogle, 84, is now retired.

WALMART
SAM WALTON
In 1962, after years of managing retail stores, Walton opened his first Walmart store at 44. He pioneered the big-box retail model. With his aggressive push for discounting, Walton shifted the balance of power in retailing from the manufacturer to the consumer.

FORD MOTOR COMPANY
HENRY FORD
Ford fiddled with automobile inventions for seven years before starting Ford Motor Company in 1903. At 45, he introduced the Model T, sparking the American auto boom. He also created the first moving assembly line.

CHEF
JULIA CHILD
Child didn't hit her stride until 49, when she co-authored the 3-pound cookbook *Mastering the Art of French Cooking*, in 1961. Through the book and her cooking shows, Child introduced French culinary skills to the American masses.

McDONALD'S
RAY KROC
The McDonald's founder worked as a piano player and a paper-cup salesman before, at 52, he set out in 1940 to build what would become the world's largest restaurant chain. Kroc systemized operations so that a burger in any city would taste the same.

PLAYWRIGHT
GEORGE BERNARD SHAW
Shaw wrote his first successful work at 38 and continued to write hits well into his 60s. He later won a Nobel Prize in literature and, at 82, an Oscar.

MARY KAY COSMETICS
MARY KAY ASH
After a decade of watching men get promoted ahead of her, this saleswoman set out, at 45, to build Mary Kay Cosmetics in 1963. Ash brought multilevel marketing into the mainstream, tapping an underemployed army of women to sell her products.

APPLE
STEVE JOBS
Though he founded Apple at 21, Jobs launched some of his most successful products later in life—including the iPod in 2001, the iPhone in 2007, and the iPad in 2010. They fundamentally changed how people consume media and use the Internet.

SIKORSKY AIRCRAFT
IGOR SIKORSKY
In 1942, after decades of tinkering on aviation projects, the Russian-American founder of Sikorsky Aircraft created the first modern mass-produced helicopter, the R-4, at 52.

NOVELIST
TONI MORRISON
The American writer published her first novel at 39. In 1988, at 57, she won the Pulitzer Prize for *Beloved*. Morrison, who has received a Nobel Prize for her work, continues to write at 82.

COMPOSER
ELLIOTT COOK CARTER JR.
This American, who wrote many orchestral pieces and ballets, twice won the Pulitzer Prize—in 1967, at 59, and in 1973, at 65. He also wrote more than 40 works from ages 90 to 100.

ILLUSTRATIONS by **MICHAEL HOEWELER**

KILLER IDEAS, SELECTED THE *SHARK TANK* WAY

In the hit show *Shark Tank*, contestants have only a few minutes to sell their big idea to sharp-toothed investors. It's a high-pressure pitch game in which only the best entrepreneurs survive. It's also a pretty good model for surfacing killer ideas. Just ask **Tim Kippley,** chief strategy officer at Geneca, a Chicago-based custom software development firm (and six-time Inc. 5000 honoree). Kippley instituted a version of the pitch contest and kicked his company's creativity into high gear. —JEFF HADEN

GENECA'S REVELATION in 2012 was surprisingly simple, like most "aha" moments. The firm works with companies to create custom software applications. "Innovation is what we do for our clients," says Kippley—and it's what drives sales. "So we decided to look in the mirror and do the same things for ourselves that we do for our customers."

The result was the first Geneca Innovation Challenge, an internal competition modeled loosely on *Shark Tank*. Participating employees had three minutes to pitch their ideas to the entire company. Voting criteria were intentionally vague; attendees were asked simply to vote for the coolest and most engaging ideas—even if they had nothing to do with Geneca's core business. "Culturally, we think we can invent ways to do things better, faster, and cheaper," says co-founder and CEO Joel Basgall.

Before the Innovation Challenge, Geneca's invention process was rather ad hoc—once in a while, someone would stumble onto a good idea. Now, the *Shark Tank* competition ensures the whole company tosses around new ideas regularly. Plus, the contest lets employees collaborate and suggest improvements. "Now it's, 'We all think it's a great idea,' not just, 'Joel thinks it's a great idea,'" Basgall says.

In the first meetup, six people advanced to the next stage after pitching ideas that included an iPhone app that detects alcohol levels and a GPS augmented-reality game. They received intensive coaching from the innovation team, a group of about 15 employees from all levels in the company. The process yielded significant intangible benefits. "Taking finalists from ideation to production is a great way to develop our employees, because it allows them to walk in our clients' shoes," Kippley says. "Plus, people get to expand outside their normal roles, so we as a company benefit from the natural cross-pollination."

The winning innovation, created by recent college grad Jack Morrissey, was an app designed to track employees' achievements and allow superiors to praise good work. Geneca now uses the app to track its own employees. "I don't need to be the guy that comes up with the ideas," Basgall says. "I need to be the guy that helps create an environment where a great group of people can have and execute great ideas."

Five tips for running your own *Shark Tank* contest:

1. CREATE AN INNOVATION TEAM
Let employees opt in. Passionate people generate excitement and build a culture.

2. BE PREPARED TO FOLLOW THROUGH
Will you execute on new ideas? If you don't, you're just paying lip service to creativity.

3. LAY THE GROUND RULES
Decide how your process will flow, if only so employees have realistic expectations.

4. SET A FOCUS
Spotlight a major problem, customer issue, or cultural benefit you want to tackle. Your contest can be broadly or narrowly defined.

5. THINK BIG PICTURE
Reiterate the goal—to be more innovative or more customer focused—so the staff embraces the larger purpose.

ILKER GIRER/GALLERY STOCK

THE TRILLION DOLLAR CURE

Obamacare is fueling a hot new industry that uses mobile technology to curb health care spending. Smart startups are already cashing in

BY DAVID H. FREEDMAN

PHOTOGRAPHS BY DAN SAELINGER

T**HREE YEARS AGO,** Sterling Lanier, a serial entrepreneur then running a successful market research firm, got a phone call from a medical researcher he knew at the University of California, San Francisco. The researcher wanted him to help with a pro bono project that involved gathering data on thousands of breast-cancer patients. The trick would be to find a good way to get patients to fill out tedious forms.

Nice guy that he is, Lanier agreed. The result, designed with a tech whiz named Boris Glants, was an iPad app that the

two named Tonic. Tonic made it easy—almost fun—for patients to provide information about themselves and their health. Mission accomplished.

And that might have been that, except a few months later, Lanier got another call, this one from Georgetown University Medical Center in Washington, D.C. It turned out the UCSF researcher had shown off Tonic at a health care conference and stirred up some interest. It wasn't long before Lanier was fielding inquiries from the Mayo Clinic, UCLA Medical Center, Kaiser Permanente, and other leading health care providers. Lanier, it seemed, had stumbled onto his next venture.

It's a venture that promises to be his biggest hit yet. That's because Tonic provides a partial solution to one of the most vexing challenges in all of the multitrillion-dollar health care industry: How do you get patients to provide the information that health care providers desperately need, and rarely get, in order to improve care while cutting costs?

The effort to solve that problem might well represent the fastest-growing market in health care right now. It's a race being driven by a sudden, ongoing, massive shift in the industry's economics—a shift that is mandated by Obamacare. And it is creating an enormous opportunity for entrepreneurs.

Though much of the attention paid to the Affordable Care Act has been focused on health insurance exchanges, the new law actually does something radical: It changes the underlying business model of all of health care. Until now, the model was simply that the more treatments doctors and hospitals provided, the more they got paid. Under Obamacare, the preferred model is value based—that is, hospitals get paid not to treat patients but to keep them healthy and avoid treatment.

BY THE NUMBERS

The fast-growing mobile health industry just might be the miracle cure for the rising cost of health care in America.

$2.7 TRILLION
U.S. health care spending in 2013, nearly a fifth of the country's gross domestic product

30 MILLION
Americans projected to join the health insurance rolls by 2023, via Obamacare

35%
How much mHealth technologies could potentially lower the cost of treating chronic medical conditions, which account for the vast majority of health care spending

$6.2 BILLION
Total mHealth revenue in 2013

$23.5 BILLION
Estimated mHealth annual revenue by 2018

When patients receive more treatment than deemed necessary for their situation, some or all of the extra costs will often come out of the providers' pockets, instead of generating more income. The results are expected to slash runaway health care spending, which now equals almost a fifth of America's GDP.

Because of this shift, health care organizations are willing to pony up for technology that helps curb the need for costly treatment. And this is fueling a new industry developing mobile health technology, or mHealth. At the heart of this boom is the recognition that the key to managing patient health is better information—and that the information is best acquired and accessed via the mobile devices that are now always at the fingertips of both patients and clinicians.

How big a difference could mHealth make in medical costs? One report by PricewaterhouseCoopers estimated that in Europe, mHealth technologies could help trim up to 35 percent off the cost of treating chronic medical conditions, a large driver of health care spending. In the U.S., that would equal about $700 billion in savings. And these cost cuts will become even more critical as Obamacare ushers up to 30 million uninsured people into the health care system by 2023.

Many large health care companies are already moving aggressively into mHealth, but startups are on track to produce the lion's share of the winning products and services. "It's the small companies that are coming up with the innovation," says Travis Good, a physician and influential blogger on health care technology. "And those companies are going to see tremendous growth over the next few years." In 2013, mHealth companies generated $6.2 billion in revenue, a figure that's expected to more than triple over the next five years, according to Dublin-based market research firm Research and Markets.

A slew of startups is already vying to get out in front of various segments of this exploding field. The ones that will succeed, according to Good and other experts, are those that best address pain points that have captured the health care industry's attention, particularly as the industry shifts under Obamacare.

Here's a tour of some of these major pain points, along with a look at a few of the startups that have a head start in the race to profitably provide relief.

PAIN POINT
Patients don't follow their prescriptions

COST: NEARLY $300 BILLION A YEAR

TWO YEARS AGO, Bob Shor got a scary introduction to one of health care's biggest problems when his father accidentally took a double dose of insulin, sending him rushing to the doctor. An Israeli entrepreneur, Shor discovered that the health care industry has long struggled in vain to find ways to get people to take the right meds at the right time—or to

"You'd be amazed at the wealth of information a $4 beer will get you. It will outdo a $10,000 research report every time."

STERLING LANIER

Co-founder of Tonic, an app that replaces medical forms. Lanier's market research: having drinks with industry insiders

PHOTOGRAPH BY **CODY PICKENS**

take them at all. The New England Healthcare Institute, a policy research think tank, has calculated that this so-called nonadherence is an issue for up to half of all patients, at an annual cost of nearly $300 billion in the U.S. alone.

Shor founded a company called MediSafe in 2012 to address the problem with an online service and mobile app that help patients track the timing and dosage of their meds. What's more, the company's software then gathers and analyzes data on large groups of patients, information that pharmaceutical and health care organizations badly need to evaluate medication effectiveness. "From Day One, I've been focused on that problem," says Shor.

It was a smart strategy. Any startup that can help health care providers gain more insight into patients' conditions or behaviors is going to at least get a look from even the best and biggest of hospital systems. So says Neil Wagle, medical director at Partners HealthCare, which operates Massachusetts General Hospital. Wagle, who is playing a key role in the famed Harvard-affiliated hospital's efforts to improve patient-reported outcomes, is excited about the results from initial studies of how apps can help. "We've been systematically missing some of the data that tells us what we most want to know about patients," he says. "If a company has something that can fill that gap, there's a good chance we'll want to take a look at it."

AND IT IS health care providers, insurance providers, and the government—rather than consumers—that are ready to pay big bucks for these services. That's owing in large part to Obamacare's emphasis on value-based care that creates incentives for health care providers to keep patients healthy—and trim unnecessary costs.

The tricky part of reducing health care spending is that most of what affects a patient's need for treatment happens outside the hospital and doctor's office—diet and exercise, the onset of ominous symptoms, adherence to medication regimens, and much more. That means doctors need more and better information on what's happening to patients at all times so they can offer the right treatments and advice, and patients need support to stick with those treatments at home and elsewhere.

By helping patients hew to their prescribed treatments as well as by funneling data to doctors, MediSafe is hitting both sides of that equation. Though founded only a year ago, the company has already established partnerships with drug companies and is in talks with several hospitals and HMOs. "We're looking everywhere for early-stage, technology-based products and services that can help us know more about our patients and engage with them," says Molly Coye, chief innovation officer at UCLA Health, a $2.4 billion organization that operates several hospitals in California.

Health care organizations are so eager to get their hands on these technologies that many of them are starting up venture arms to fund promising startups, notes Orlando Portale, chief innovation officer at Palomar Health, a large San Diego–area hospital system. "A lot of heavy investment is already going into these new companies," he says. "Palomar, like others, is trying to lower the barrier to entry for startups and become an early adopter. If the technol-

THE DOCTOR IS OUT

AirStrip lets doctors use their mobile devices to monitor a hospital patient's vital signs remotely. Here's how it works.

KEEPING THE BEAT
AirStrip displays a patient's electrocardiogram.

VITALS TO GO

This system, developed by AirStrip Technologies in San Antonio, comprises hardware, software, and services, and is FDA approved. When connected to monitoring equipment in the hospital, AirStrip can fetch and display a wide range of patient data, including temperature, blood pressure, fetal heart rhythms, and almost anything else measured at the bedside. It can also provide a patient's medical history, lab results, and allergies. As a result, a team of doctors and nurses scattered in multiple locations can collaborate on treatment decisions, and specialists in other cities can provide a quick consultation.

OUTSIDE DIAGNOSIS

Using AirStrip on a smartphone or tablet, a doctor can remotely diagnose a likely heart attack—and phone in orders for immediate and potentially life-saving interventions. That way, the hospital or emergency technician doesn't have to wait for the right doctor to show up to take action, saving precious minutes in a critical situation.

PRIVACY, PLEASE

AirStrip had to meet tight federal requirements for data security and privacy. No data is ever stored on the remote cell phone or tablet. Encryption and rigorous password protection prevent unauthorized access or interception of the data. —D.H.F.

COURTESY COMPANY


WHAT COULD SUITS AND START-UPS POSSIBLY AGREE ON?
NO TIME TO TIE YOUR SHOES
TURN ANY SHOE INTO A SLIP-ON WITH HICKIES
HICKIES
ELASTIC LACING SYSTEM
WWW.HICKIES.COM | #HICKIESLACES

ogy works for us, we're willing to heavily promote it in the market."

Given the intense interest in drug adherence in particular, it's not surprising that MediSafe has plenty of competition. Other ventures that promise to help patients stick to their pill taking include GreatCall, which makes a reminder app; MedMinder and Vitality, both of which make "smart" pillboxes; and Proteus Digital Health, which makes tiny ingestible sensors that patients swallow with their meds to track pill consumption.

PAIN POINT

Patients don't give doctors enough information

COST: $305 BILLION OVER THE NEXT SEVEN YEARS

WHEN LANIER WAS first approached by UCSF Medical Center to help with the breast-cancer research project, he was basically expected to convert a long questionnaire into an iPad app. But Lanier suspected there was a deeper, more universal problem underlying that simple job. So he enlisted a technique he had perfected as a professional market researcher: He took some people from the health care industry to a bar. "You'd be amazed at the wealth of information a $4 beer will get you," he says. "It will outdo a $10,000 research report every time."

When it comes to collecting patient information, Lanier quickly discovered that the health care industry has long bemoaned the fact that most people won't take the time to fill out a long form—and shoving that long form onto a mobile device doesn't fix the problem. Under Obamacare, the failure to get patients to provide data would be disastrous, given the law's emphasis on documenting patient health.

Lanier's solution, an electronic form that people would actually find fun to fill out, solves the problem of collecting the data. Every Tonic screen serves as a colorful, engaging invitation to provide a piece of information, be it your birthday or your weight. Animated balloons and other cartoons celebrate your every act of typing, while games, mazes, and videos entice you to stick with it.

And Lanier saw an opportunity to go even further with Tonic: having it figure out on the fly which questions were relevant on the basis of the answers to previous questions, and then immediately flag potential health problems. "The app could figure out which people on the medical team you need to see when, and alert them," he says. That meant patients could get to see exactly the clinician who might help keep them healthy—whether that's an orthopedist, a nutritionist, or a psychologist—while avoiding wasting appointment time with others.

That sort of efficiency is a big deal, given the nation's sky-high health care costs—costs that are likely to increase in the short term as the new wave of Obamacare-covered insurees hits the system. According to the Deloitte Center for Health Solutions, efficiency improvements of the kind that Tonic is offering should be able to cut $305 billion in health care costs by 2021.

Lanier doesn't have to sell big health care organizations on the potential payoff from getting patients to

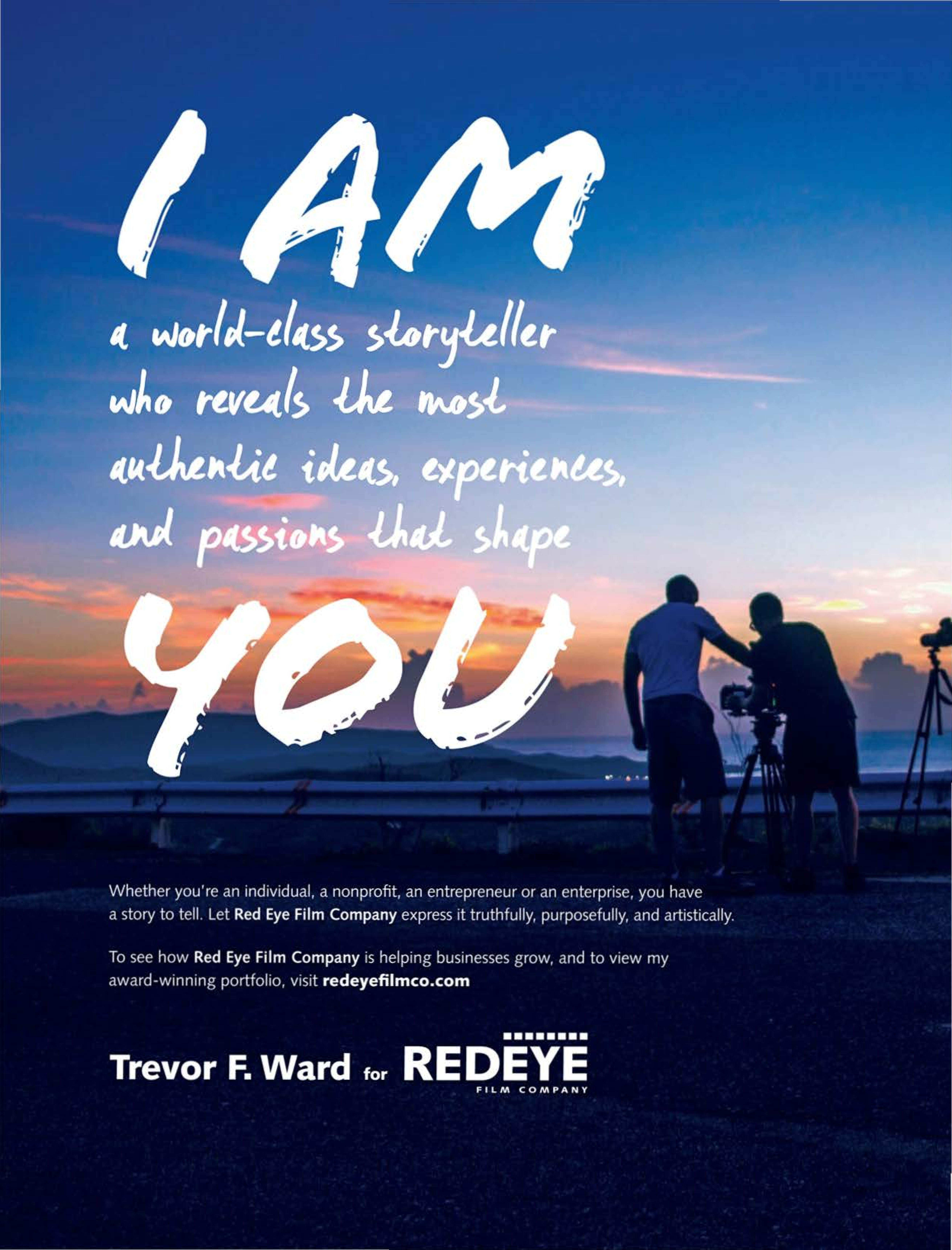
CONTINUED ON PAGE 108 ▸

"Health care organizations are willing to spend heavily on technologies that will help them manage patients."

ORLANDO PORTALE

Chief innovation officer at Palomar Health, a hospital system investing in mobile health technology

PHOTOGRAPH BY **RAMONA ROSALES**


I AM
a world-class storyteller who reveals the most authentic ideas, experiences, and passions that shape
YOU
Whether you're an individual, a nonprofit, an entrepreneur or an enterprise, you have a story to tell. Let Red Eye Film Company express it truthfully, purposefully, and artistically.
To see how Red Eye Film Company is helping businesses grow, and to view my award-winning portfolio, visit redeyefilmco.com
Trevor F. Ward for REDEYE FILM COMPANY

GET REAL

Jason Fried

When Bad Things Happen to Good Companies

What do you do when disaster strikes someone else? Make sure you're prepared to respond should the same thing happen to you

COMPANIES SPEND BILLIONS of dollars to protect their computer systems from attacks. Yet they still happen. Recently, one of those incidents hit dangerously close to home, when a company called GitHub announced that it had been hacked.

GitHub hosts computer source code (what software is made of) for thousands of companies—including the source code for our products at 37signals.

The people who run GitHub are friends of ours. I really felt for them when they were forced to announce to their customers that their accounts may have been compromised. I imagined myself having to write a similar letter to my customers. The very thought made me queasy.

But it also woke me up and gave me an idea.

We are always working to improve our security. But I wanted our entire company—not just the tech staff—to figure out how to respond if we were hacked.

Lots of companies stage drills to improve their technical capabilities. They run load tests to simulate their systems being under enormous pressure. They disconnect servers to see what happens when a piece of hardware goes offline. They force their software to do things it wasn't intended to do to see what happens.

But what about the public-facing part of the company? Technical proficiency is important, but it's only half the battle. The other half is how your company communicates with customers when things go seriously wrong.

So after hearing about the GitHub breach, I gathered the entire staff. Here is what I told everyone: "Every time we read about a security breach at another company, I want us to act as if it had just happened to us. How would we handle it? What would we tell our customers? What would we do about it so it does not happen again? What steps would we take to regain customers' trust?"

We started right away. We studied GitHub's response and came away impressed. GitHub did an outstanding job of letting the public know what happened, how it happened, how to learn if a company had been affected, what GitHub did to halt the attack, and what it will be doing to prevent another one. (You can read GitHub's response here: *github.com/blog/1698-weak-passwords-brute-forced.*)

The point person on our security team wrote a draft of what our response would have been, which was posted to a Basecamp project and circulated companywide. Everyone had a chance to suggest tweaks, make edits, and post comments.

Like GitHub, we tried to be honest, open, and informative. Anything less threatens to erode trust fast, especially when dealing with something as critical as data security. Writing the letter even revealed a few weak spots in our defenses, which we're working on tightening up. As often happens, the simple act of communicating helped us see areas for improvement we hadn't noticed before.

It was a sobering experience. I came away feeling even more sympathy toward the companies and customers who have been victimized by hackers. And it reminded me just how important it is to stay vigilant.

Next time around, I'd like to take it beyond our customers. It would be good to drill how we'd talk to the press or answer questions on Twitter. Meanwhile, the letter we drafted sits safely in Basecamp. I hope no one will ever have to read it.

Jason Fried is co-founder of 37signals, a Chicago-based software company.

▸
BUILT TO LAST FOREVER
CONTINUED FROM PAGE 53

stabilizing the structure so that panels, which substitute for concrete walls, can be reconfigured on the basis of demand.

For a Mittelstand company, Igus is diversified. It makes two products: polymer bearings and chains. Both enable movement in machines, whether they are mountain bikes or enormous ship-to-shore cranes. The factory is situated next to a large UPS operation and near two airports, the better to serve customers in more than 80 countries. Annual revenue is around $500 million, more than half from international sales, which CEO Frank Blase kicked off when he joined the family business in 1983. "My father and I had different visions for this company," says Blase. "His vision was that we would be about $10 million, and my vision was $10 billion." Blase knew from the start that international business would help get him there. "We always have a drive to target new customers in new countries," says Blase. "We see a market that is underdeveloped from an Igus point of view, and we go there."

That attitude is less common in the United States, where more than half of small to midsize companies have no sales or operations outside North America, according to a study by the National Center for the Middle Market. Such attitudes aren't surprising: The United States is such a juicy, accessible market that international sales feel less urgent. But globalization is the future. It is also a skill that requires development. The Mittelstand companies have had a lot of practice. They are very good at it.

> Employees are empowered to make virtually any decision on their own—except for one: turning down a customer request.

LESSON 3
INNOVATE INCREMENTALLY AND INTERNALLY

TO SPEND TIME AMONG the Mittelstand is to become sensitized to the industrial wallpaper of our lives. As I stroll around the conference room at PWM, my eyes are opened to the aesthetic possibilities of gas-station price signs. The technically advanced yet stylistically retro scrolling digits preferred by Conoco. Chevron's crisp white numbers framed in a sleek red case. "We were the first with white numerals in the marketplace," says Krawinkel proudly.

When it comes to innovation, the Mittelstand companies are incrementalists: masters at playing on a theme. Peter Englisch, Ernst & Young's global leader for family business, observes that Germany's lack of natural resources forces it to rely on competitive products and services. Given their narrow areas of expertise, Mittelstand companies grow by "improving the existing products and services, not coming up with things that are radically new," says Englisch.

Much of that incremental innovation happens with customers. Whereas elsewhere companies chafe at modifying products for new markets, the Mittelstand sees the ability to do so as a competitive advantage. So, for a pipe organ in New Zealand, Klais's team developed a stop inspired by the sound of a Maori bone flute. Klais listened repeatedly to a CD of traditional Japanese music to design parts for an instrument in Kyoto.

"Often, innovation is defined as something that changes a market," says Klais. "But to me, it is where you individually develop something for your customer. It may be a very, very small detail. But it shows understanding and respect."

Mittelstand companies innovate not only their products but also their materials and means of production. In its facility in Bad Berleburg, BSW reprocesses rubber to make its signature material—Regupol—and then uses machines, many developed in-house, to manufacture flooring products for the sports and building industries. Igus manufactures its own materials, builds its own tools and molds, and innovates intensively around processes. Among Igus's most popular homegrown offerings are tests that calculate how long products will last in a specific customer's environment. Some of that is math; some is running products through their paces until they break. In the Igus labs, a few cables have been twisting away continuously for 10 years.

There's a defensive basis for this strategy: Competitors find it harder to copy your thing if they must also copy the thing that makes your thing. At the same time, it's easier to maintain equipment you've designed yourself and to ensure quality when you make your own materials. Vertical integration is all about control. As the U.S. recovers from its outsourcing binge, control would be a good thing to get back.

LESSON 4
GO THE EXTRA MILE FOR CUSTOMERS

IGUS ANNOUNCES ITS priority in the entrance hall. One wall depicts the solar system forged in metal. The word *customer* (in six languages) is the sun. All other departments and activities are small planets arrayed around it.

When I meet Frank Blase, he is wearing his blue Igus vest and a red-and-white-striped tie, perhaps in anticipation of the "very, very large American customer" he expects to arrive at any moment. The orange button pinned to his chest reads: *Yes We Can!* It is a salute not to Barack Obama but to Bob the Builder, a natural Mittelstand muse. The Mittelstand companies' customer relationships are unusually close because their products are often complex, requiring customization and

consultation. Igus has a policy called KNOC KNOC: an acronym (in German) for *No 'No' Without CEO.* Employees are empowered to make virtually any decision on their own—except for one. Turning down a customer request requires approval, often from the very top.

In orientation sessions for new hires, Blase writes on a whiteboard Peter Drucker's famous dictum: "The purpose of business is to create and keep a customer." "I ask each of them, 'What value do you think that you create for which customers?'" says Blase. "At the end of the hour and a half, we complete the circle: 'How do the employees benefit?' So they understand that their success is through the customer's success."

Like most Mittelstand companies, Igus is generous with pre- and postsales consultations and services. It will cheerfully customize and ship a single tiny part or manufacture discontinued items for customers with aging machinery. The company keeps 100,000 distinct products on-site so it can guarantee shipping worldwide within 24 hours. PWM has a similar delivery guarantee, also made possible by Krawinkel's willingness to hold everything within PWM's walls. "The Mittelstand has a different philosophy when you look at inventory and spare parts availability," says Krawinkel. "The disadvantage is you have to pay for it on your own. But it is a big competitive advantage with customers."

U.S. manufacturers are already customer focused: There's less to learn from Germany on that score. What's interesting, though, is the extent to which the Mittelstand's customer orientation benefits these companies in their roles as buyers. Most companies I visited procure machines, parts, and other products from their compatriots. At least 80 percent of Igus suppliers are Mittelstand companies, according to Artur Peplinski, vice president of international group development. "We ask a lot from our suppliers, so they have to understand our standards and requirements," he says. "Having the Mittelstand makes it easier for us to fulfill our promises to customers."

Of course, stretching supply chains across 138,000 square miles of Germany is easier than stretching them across 3.7 million square miles of United States. Still, as it becomes easier for U.S. companies to buy American—if, in fact, Made in the USA becomes the socially responsible default option—the opportunity exists to raise everyone's game.

LESSON 5

RUN YOUR BUSINESS AS IF YOU EXPECT IT TO LIVE FOREVER

IN 1935, ALOYS MENNEKES founded a company that at one time manufactured waffle irons and other small appliances in the basement of the local shooting-club hall. His breakthrough product was a wall-mounted fire lighter invented when matches became scarce during World War II. In Mennekes's building hangs a vast aerial photograph of the company's current site. I can just make out the founder's original home, tucked into the side of the sleek, modern complex like a handmade ornament on a shimmering aluminum Christmas tree.

Mennekes's rich heritage illustrates another Mittelstand characteristic: roots sunk deeply into family and community. Roughly 95 percent of Mittelstand companies are family owned, according to the country's Federal Ministry of Economics and Technology. Of those, 85 percent are managed by their owners. The average CEO tenure is 20 years. Some businesses have celebrated bicentennials. Ernst & Young's Englisch says Mittelstand leaders take the long view because they are building for future generations—a quality he calls dynastic will. "From this comes extra dedication and passion," says Englisch. "The family gives nearly everything to run the business successfully."

That long-term orientation is reflected in a conservative approach to finance. The Mittelstand's equity ratio has been rising since 2002, reaching 20.7 percent in 2011. Equity and bank loans together fund more than 80 percent of investments. During the financial downturn, healthy financial buffers—as well as government aid for businesses that cut hours rather than staff—helped these companies survive relatively intact.

That generational perspective is tough for nonfamily, nonvenerable companies to emulate. And it is increasingly a challenge for the Mittelstand. The pool of potential heirs is growing shallow as Germany's birthrate drops and outside temptations beckon, including the nascent startup scene in Berlin.

However, the lure of entrepreneurship may ultimately benefit succession. Nikolaus Förster, editor in chief of *impulse,* a German magazine for company owners, says it is common now for the sons and daughters of the Mittelstand to launch startups after university, then return after a few years to run the family business. "Many have said to me, 'We are going to make mistakes, but we are going to do it somewhere else and then come back to our own company to make sure it is successful,'" says Förster. "In Germany, if your family has been running the company for three generations, you have got a lot of employees. So you have a lot of responsibility to the region."

Responsibility. In my conversations with Mittelstand CEOs, that word came up again and again. *Leadership,* by contrast, they largely dismissed as an abstraction. "I think *leadership* is a very, very, very strong word," says Klais. "I see it more as a responsibility issue. And not just being responsible for the financial situation but also for a team of 65 people that have supported this workshop for a very long time and for this working place on which they are depending."

That attitude, more than anything else, may be what sets the Mittelstand apart. Several CEOs I spoke with described how, during the downturn, they kept pay stable while employees worked fewer hours because of reduced demand. The understanding: When business picked up, the employees would work off those hours over time. "We financed that ourselves," says Mennekes. "Employees all have bills to pay. As you imagine, this makes identification with the company strong, that they know we are caring for them in bad times. It was the responsible thing to do.

"I am very grateful that the company cared for me during my childhood," says Mennekes. "Now I have a chance to care for the company."

LEIGH BUCHANAN *is an editor-at-large for* Inc. *For additional reporting about the Mittelstand, see Leigh's stories on Inc.com.*

NICE GROWTH COMPANY YOU GOT THERE. SO HOW COME YOU'RE RUNNING OUT OF CASH? CONTINUED FROM PAGE 78

year, to reflect rising sales.

If certain clients are keeping Knitowski up nights, but Phunware wants to keep them around, he could take out credit insurance. He could also ask clients to set up a standby letter of credit that Phunware could draw on if the client fails to pay. The key takeaway for other companies, Lenhart says, is to "look beyond just sales numbers, because they're not the full story."

DATA DETECTIVE

How do I really know how I'm doing?

WHEN CHILDHOOD friends Rob Dube and Joel Pearlman founded Image One in 1991, the closest thing they had to an accountant was Pearlman's father, a corporate CFO who checked their income statements over dinner. They started the business after graduating from college, selling printer and copier toner cartridges and soon adding office machines to their offerings. In the early days, Pearlman's father urged them to spend more time analyzing the Oak Park, Michigan, company's finances. As revenue approached $1 million in the mid-1990s, Pearlman's father found a bookkeeper to serve as Image One's controller. But Dube paid little attention to the company's financials. "I wasn't willing to put the time in," he recalls. "Our mindset was, 'Just get out there and grow the business.'"

Tracking your company's financial data can have a big impact. No, really. Business owners who start to do it usually find it eye-opening, rewarding, and even addictive, says Brendan Anderson, co-founder and managing partner of Evolution Capital Partners, a private equity firm based in Cleveland. And, thanks to the abundance of easy-to-use financial dashboards, gathering and crunching data has never been easier. Yet many business owners resist it, viewing the financial aspect of their companies as something to be tolerated. Anderson says that only a small fraction of the hundreds of business owners he meets with every year use a formal system to track and analyze company metrics. One reason for the resistance could be that many entrepreneurs who did just fine without data analysis in the early stages of businesses don't see a need for it. But, Anderson says, "there comes a point in time when you can't do it all in your head, when there are more balls in the air than you can juggle."

In 1999, with revenue approaching $2.5 million, Dube began to realize he could no longer ignore the balance sheets. "Eventually, we came to understand that there's a lot more that goes into building a sustainable business than selling," he says. That year, Image One adopted the Entrepreneurial Operating System, or EOS, a process created by author Gino Wickman that involves tracking critical numbers to set priorities and resolve problems. The partners began using EOS and a financial dashboard to monitor weekly metrics related to liquidity, accounts receivable, inventory, and sales. The dashboard also told them if they were on track to meet their budget and revenue goals.

BLUNT INSTRUMENT

There comes a time when you can't do it all in your head, and you need to deliberately start tracking your metrics.

The system had a major effect on Image One's approach to purchasing. Dube began to see that cutting just $1 or $2 from the price of each item could increase the company's overall margins significantly, because it purchases thousands of items from vendors every year. "It was a light-bulb moment," Dube says. "It took us to another level." The $15 million company, which has 60 employees, recently hired a full-time purchaser to negotiate better terms with vendors.

These days, the partners use e-Automate, financial software from Digital Gateway that handles metrics, as well as accounting, billing, and operations. The software allows information from all three areas of the business to flow into a wide variety of reports accessible by the management team. Managers also use the dashboard to track profitability for Image One's 200 largest customers. If margins fall, managers figure out what, if anything, they can do.

Anderson thinks more small businesses should follow Image One's lead. "It's amazing what you can do with a very traditional business when you put in a process and use numbers to drive decisions," he says. Buying software is the easy part, he warns; what's hard is sticking with the process. To make the most of metrics, you also have to be prepared to face up to what you're doing wrong—and resolve to fix it. As Anderson tells his small-business clients, using metrics to run your business is like playing on a college sports team. "You get up every day and figure out if you won or lost, and if you lost, how you could do better," he says. "Without data, you're on the treadmill, battling the same fights you battled 10, 20, or 30 years ago."

—

Jill Hamburg-Coplan wrote "IPOs Are Back (for Now)" in the October 2013 issue of Inc.

THE TRILLION-DOLLAR CURE
CONTINUED FROM PAGE 100

fill out forms. They've been eager for exactly what Lanier is offering. "We went to our traditional vendors and asked them to come up with something that would engage patients when giving us information," says Helen Kotchoubey, corporate director of information services at New York–Presbyterian Hospital. "But Tonic was the one that came up with something that was really different and interesting. This is all about patient engagement."

Thousands of patients at New York–Presbyterian, the Mayo Clinic, and several other hospitals have used Tonic to report their medical histories. The app has been shown to increase form completion rates by about 100 percent, according to Lanier. Boosting patient engagement through technology is seen as a critical task for health care, says Patricia Griffiths, a researcher at the Veterans Affairs Medical Center's Rehabilitation Research and Development Center for Visual and Neural Rehabilitation in Atlanta. Griffiths has worked to bring Tonic and other leading-edge technology into the VA's health care efforts. "This is the only way to deal with burgeoning demand for health care while improving quality, access, and cost," she says.

PAIN POINT

Unnecessary visits to the doctor

COST: ABOUT $125 BILLION A YEAR

AMERICANS COLLECTIVELY make about one billion visits to the doctor each year. In many of these cases, doctors are lavishing in-person attention on patients who could be taken care of with a bit of information.

It's a problem that wastes some $125 billion a year. So points out Ron Gutman, founder of HealthTap, a Palo Alto, California–based startup that's trying to provide patients with those bits of information via their mobile phones. Through HealthTap's smartphone app and website, the company lets users pose health questions to a network of more than 50,000 physicians. "What we can do is create an electronic triage system that directs as many patients as possible away from expensive services into more cost-effective ones," Gutman says. "That really hits home with health care organizations."

Having doctors answer questions with a text message sounds like a simple enough app, but there's a reason why HealthTap is proving to be the first to pull it off in a big way. For one thing, doctors are terrified about the liability of tossing out advice to people they haven't personally examined who might later claim the advice was harmful. So Gutman negotiated a unique Lloyd's of London insurance policy that protects doctors on HealthTap's network from lawsuits stemming from their advice to users, provided at no cost to the doctors. In addition, each doctor's advice is voted on by other doctors, providing second opinions. Security is another major concern, and one that Gutman anticipated with his first hire: an information security pro. "We're more secure than any entity we work with," says Gutman, noting that all private HealthTap communications between patients and doctors are encrypted.

It's not just patients who benefit from the convenience of getting medical advice in their homes or offices, or even on the road, all without the cost to the system of an office visit. Physicians don't want to be limited to helping patients only from the confines of the exam room. "Many of our caregivers are mobile now," says New York–Presbyterian Hospital's Kotchoubey. "They want to take advantage of that mobility."

Though many older patients won't reach for their cell phones when they have a mysterious ache or a slight fever, notes physician and mHealth expert Good, younger patients will readily flock to services like HealthTap. "They've got the motivation and interest to adopt these tools," he says. "They're just waiting for health care providers to make them available." Already, Gutman is fielding a flood of requests from health care providers interested in exploring how they can enlist HealthTap to set up dedicated mobile services for their patients and physicians.

PAIN POINT

Missing critical warning signs

COST: $36 BILLION OVER THE NEXT FIVE YEARS

HOSPITAL PATIENTS are routinely kept wired to devices that monitor heart rate, respiration, blood pressure, and other vital signs. And dozens of other types of monitors might be wheeled to a patient's hospital bedside to look at things such as brain waves and blood chemistry. All this data gives clinicians a chance to spot problems early and take action to head off crises. But if the clinician wants to see the data readout in real time, vastly increasing the chances of performing a fast, effective intervention, he or she needs to be standing by the machine, staring at its screen. And, to state the obvious, the patient has to be in a hospital bed. All of which means doctors are almost never on top of their patients' critical data just when it may count most.

Tackling that gap is AirStrip Technologies in San Antonio. AirStrip is the leading player in the new mHealth subindustry of remote patient monitoring, which allows clinicians to get detailed, real-time readouts of monitors on their tablets or smartphones anywhere in or out of the hospital. This technology

Many nascent markets are up for grabs, providing an extraordinary opportunity for medically minded entrepreneurs.

that allows doctors to remotely monitor the vital signs of hospital patients was "the first serious mHealth effort designed directly for physician use," says Portale of Palomar Health.

Portale ought to know, because he was behind the first major remote monitoring mHealth venture, developed in-house at Palomar in 2010 and later acquired by AirStrip to form part of the backbone of its technology platform. Since then, Portale has turned his entrepreneurial attention to the other end of the problem: freeing patients from having to be hardwired to machines to be monitored. To do that, Palomar has teamed up with electronic-chip giant Qualcomm to establish a tech incubator called Glassomics to foster the development of wearable computing in medicine. "Sensors could be embedded in smart watches, implantable chips, or clothing," says Portale. "They might detect changes in blood chemistry or in the heart's electrical pattern, predict the onset of a heart attack, and broadcast a warning to your physician's mobile device."

Nearly a billion people in the world have heart disease, diabetes, cancer, Alzheimer's, or another chronic disease, notes Portale. Heading off crises for even a fraction of these patients would not only save countless lives; it would cut down on the costly hospitalizations that account for a large chunk of health care spending. Until now, those hospitalizations have funneled revenue to hospitals and physicians, but under Obamacare, health care providers will eat some of those costs. "Health care organizations are incentivized now to reduce hospital readmissions, and that's why they're willing to spend heavily on technologies that will help them manage these patients," says Portale. Juniper Research estimates that mobile health monitoring technologies could save the medical industry $36 billion over the next five years. And within four years, Americans will be wearing some 170 million gadgets to keep an eye on their vital signs, projects ABI Research.

Eventually, these devices may be able to track a patient's emotional state, too. Just picking up on the fact that a patient may be depressed can represent an enormous potential savings, points out Wagle of Partners HealthCare. "Research has shown that the costs of treating chronic medical conditions are 40 percent higher in patients who are depressed," he says. "If I can monitor depression, I can see who might need to see a psychiatrist or get an adjustment to their medication."

PAIN POINT
Unhealthy diets, lack of exercise

COST: NEARLY $100 BILLION A YEAR

IN 2005, MIKE LEE and his wife wanted to lose some weight but couldn't find an easy way to track calories. So Lee built an app to do it. Today, Lee's San Francisco–based company, MyFitnessPal, has more than 40 million users, most of them through its mobile app. Collectively, MyFitnessPal users have lost more than 100 million pounds since 2005. The company earns revenue through mobile ads and through partnerships with health monitoring and fitness equipment manufacturers.

Smoking has long reigned as the leading preventable health-related killer. Now, however, obesity in the U.S. is poised to overtake cigarettes in deadliness, with one major recent study concluding that, on average, obesity robs people of a decade of life. Obesity is strongly linked to virtually all forms of chronic disease, particularly heart disease and diabetes. One study found that 70 pounds of excess weight increases one's lifetime medical costs by an average of up to $30,000, depending on race and gender. All told, obesity is responsible for nearly $100 billion per year in health care spending in the U.S.

Most Americans simply don't see doctors often or long enough for those visits to have a big impact on their eating behavior. But mobile technology can help close the gap. By prompting people to set reasonable goals, exercise, and count calories—and by offering encouragement from their social networks—mobile apps may prove to be the missing link between what doctors know we need to do and what we actually do in everyday life.

Unlike most other segments of the mHealth industry, weight-control apps tend to be marketed directly to consumers, either at very low cost, via an ad-supported model, or through partnerships with hardware product vendors. Besides MyFitnessPal, one of the front-runners in the weight-loss app market is Boston-based Lose It, which relies on a freemium model. But dozens of other startups—including SparkPeople, Noom Weight Loss Coach, and Calorie Counter Pro—are vying for the stream of new users turning to their mobile phones to help them shed pounds.

Though weight-loss apps represent a sweet spot in terms of health impact and lowering health care costs, they are just a part of a broader consumer health-app market. Research2Guidance calculates that the number of daily downloads of the 10 most popular mobile health apps is already approaching five million. But that may prove to be a mere trickle compared with the number of health apps that end up on consumers' phones in the coming years, as Obamacare continues to drive the health care industry to reach new levels of efficiency. New apps are needed to provide patients with more effective ways to find doctors, schedule appointments, gain access to personal medical records, and much more. Meanwhile, other phone-based technologies promise to let doctors perform many diagnoses and prescribe treatments remotely, and even to hand some of those tasks over to software altogether.

Those and many other nascent markets are up for grabs, providing an extraordinary opportunity for medically minded entrepreneurs. As Griffiths of the Veterans Affairs Medical Center put it: "This is not about a wave of the future. This is right now."

DAVID H. FREEDMAN *is a contributing editor for* Inc. *He wrote about the Series A crunch for the October 2013 issue.*

 INC. (ISSN 0162-8968) is published monthly, except for combined July/August and December/January issues, by Mansueto Ventures LLC, 7 World Trade Center, New York, NY 10007-2195. Subscription rate for U.S. and Possessions, $19 per year. Address all subscription correspondence to *Inc.* magazine, P.O. Box 3136, Harlan, IA 51593-0202; 800-234-0999, incustserv@cdsfulfillment.com (U.S., Canada, International). Please allow at least six weeks for change of address. Include your old address as well as new, and enclose if possible an address label from a recent issue. Single-copy requests, 800-234-0999. Periodical postage paid at New York, NY and additional mailing offices. Canadian GST registration number is R123245260. Canada Post P.O. Box 867, Markham Station Main, Markham, Ontario L3P 8K8. POSTMASTER: Send address changes to *Inc.* magazine, P.O. Box 3136, Harlan, IA 51593-0202. Material in this publication must not be stored or reproduced in any form without permission. Requests for permission should be directed to permissions@inc.com. Reprint requests should be directed to The YGS Group at 800-290-5460, ext. 128. *Inc.* is a registered trademark of Mansueto Ventures LLC.
FEBRUARY 2014 VOL. 36 NO. 1

Business-to-Business & Service Concepts Lead Franchising Growth

by Mark Henricks

As it has grown into one of the largest sectors of the American economy, the franchising industry also has become increasingly diverse. Although franchising is still often primarily associated with quick-serve restaurants serving up food to hurried diners, more and more franchise businesses today provide a wide variety of services to and through other businesses.

The growing importance of business-to-business and service concepts is shown clearly in the most recent look at employment in franchise establishments in the ADP National Franchise Report. This monthly account is drawn from ADP's payroll data and provides a reliable perspective on recent trends in franchising employment. And for the year ended in September 2013, when U.S. private-sector franchise jobs grew by an average of 0.2 percent overall each month, business services franchises expanded its employment by twice that much, or 0.4 percent.

The job growth in business services put the category at the front of 16 different industry segments ADP uses to divide franchising. The segments range from restaurants, which accounted for more than half the total 15,080 franchising jobs added in September, to auto parts and dealers, which registered a small decline in employment that month. Compared to an annual growth in employment of 2.5 percent for franchising in general, business services also led all sectors, expanding employment at 4.7 percent. That also was more than twice as much employment growth as the overall economy posted.

As economic conditions improve for America's enterprises, Image360 stands ready to capitalize on the opportunity. Franchisees of the Columbia, Maryland-based brand provide professional graphic communications services to other businesses and organizations. The services Image360 offer include site analysis for placement of signage, permitting, and design for nearly every type of visual communications need, including indoor and outdoor signage, vehicle advertising, window and floor graphics, way-finding solutions, and promotional display.

President Ray Palmer describes Image360 as a business-to-business opportunity that is sales-driven without being confined to an existing product offering. Franchisees market their services directly to other businesses, and often start with a virtually blank slate when assigned to address clients' visual communication and display needs. "There's lots of creativity involved," Palmer says. "You're only limited by what you can imagine."

In addition to marketing to businesses, Image360 franchisees also market through other businesses, especially their own existing clients. "We are very much a referral business," Palmer says. "When you get a client they refer others and they stay with you for a long time. It's not a one-and-done relationship.

Image360 is a new brand launched in February by Sign & Graphics Operations LLC. Alliance Franchise Brands' Sign & Graphics division has over 300 franchise locations including Image360 and two others, the beginnings of which go back almost 30 years. Many of these existing franchises are converting to the new Image360 model.

Alliance Franchise Brands has 12 Image360 locations in West Coast, Southeast, and Mid-Atlantic markets as well as Texas and Minnesota. Plans call for having 50 to 75 open by the end of 2014 in a cross-section of U.S. markets. "We expect a large migration of existing brands over the next 12 to 18 months as well as adding new members that are coming on board," Palmer says.

"There's a lot of flexibility with this franchise and there's a lot of opportunity," he adds. "In today's environment, especially with the advent of additional technologies and market segments, our opportunities are continuing to expand, which provides a recipe for long-term growth."

The recipe for growth at Daycare Cleaning Services calls for providing cleaning services to pre-schools and day care centers. President Rob Nestore says the Cherry Hill, New Jersey, company has found childcare and education markets are receptive to the environmental cleaning services the franchise offers. Nestore has acquired numerous public, private, and national chain clients in an extended service area around the Philadelphia metropolitan area where the company is headquartered.

"Things continue to progress," Nestore says. "We continue to grow throughout New Jersey, Pennsylvania, Delaware, and New York." After hiring a national account manager for sales in 2013, Nestore took an additional step for 2014, supplementing the marketing staff with a national account manager to focus strictly on franchise sales.

Daycare Cleaning Services is seeking franchisees to expand its system beyond the corporate headquarters location. Nestore said that despite the fact that demand for the company's services from other businesses is good, it's been a challenge to find franchisees who are ready to duplicate the model. Until the right franchisee candidate comes along, the company will focus on refining its operations business model. "We're going to continue to do marketing, and continue to build our brand," Nestore says.

SENIORS Helping SENIORS®
The Power of Love®

Franchisees of Seniors Helping Seniors continue to focus on providing non-medical in-home care to senior citizens, while relying significantly on marketing through other businesses to reach individual consumer customers. "We believe one key to our success is our finding other businesses in our communities who share our values and who are also providing a service for seniors so we can all serve our clients better together," explains Philip Yocom, president, CEO, and co-founder of the Reading, Pennsylvania-based franchiser.

Seniors Helping Seniors franchisees employ seniors to provide people living in private homes or retirement homes with a full range of home care including companionship, errands, and light home maintenance support services. Yocom's franchisee selection model emphasizes choosing candidates who are committed to giving back to their communities as well as generating an adequate return from their investment in the franchise.

Almost 250 Seniors Helping Seniors territories are operating right now. The company plans to add 100 new locations to that total during 2014. In addition to the United States, where many territories remain available, they'll focus in the coming year on the United Kingdom.

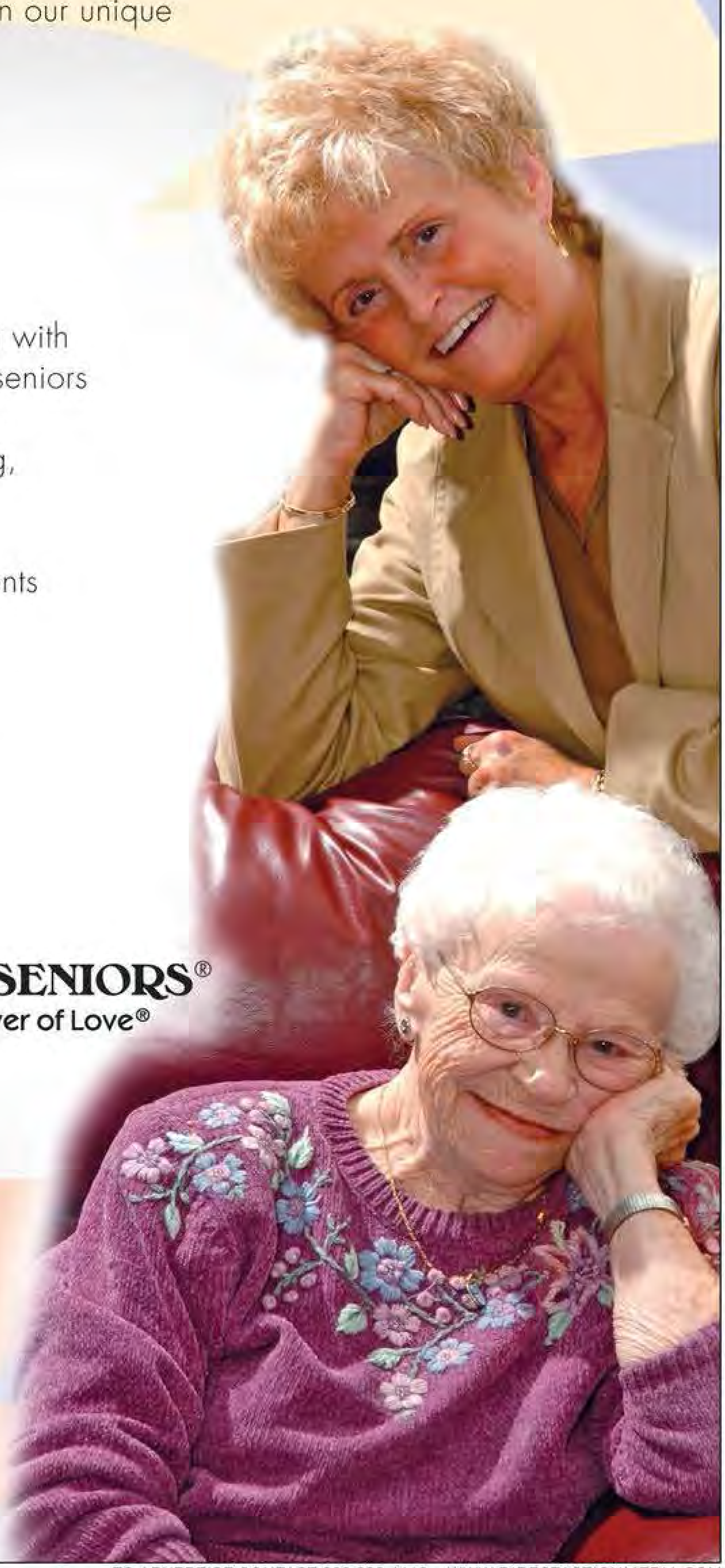
Although they have led the franchising field in employment gains in recent months, business-to-business and service concepts continue to represent a relatively small proportion of franchises. Restaurants dominate all other sectors, with more than half of the total employment of 8 million, while business services still employs fewer than 500,000. However, as one of the most robust segments of an industry that is growing significantly faster in employment than the rest of the private sector, business services is a portion of the franchising pie that deserves a look from any franchisee candidate in search of an opportunity.

We're looking for a few ordinary people with extraordinary hearts.

Are you ready for a positive change? Join our unique franchise community that believes in the ***Power of Love*** and has an equally strong focus on the bottom line.

Receive substantial financial and emotional rewards.

- Help seniors live independently in their own homes by matching them with other loving, caring, compassionate seniors
- Provide non-medical services such as light housekeeping, grocery shopping, companion care and more
- Serve one of the fastest growing markets – the Boomers and their parents
- Easy startup backed by our marketing expertise and ongoing management support
- Be part of our strong community of like-minded social entrepreneurs



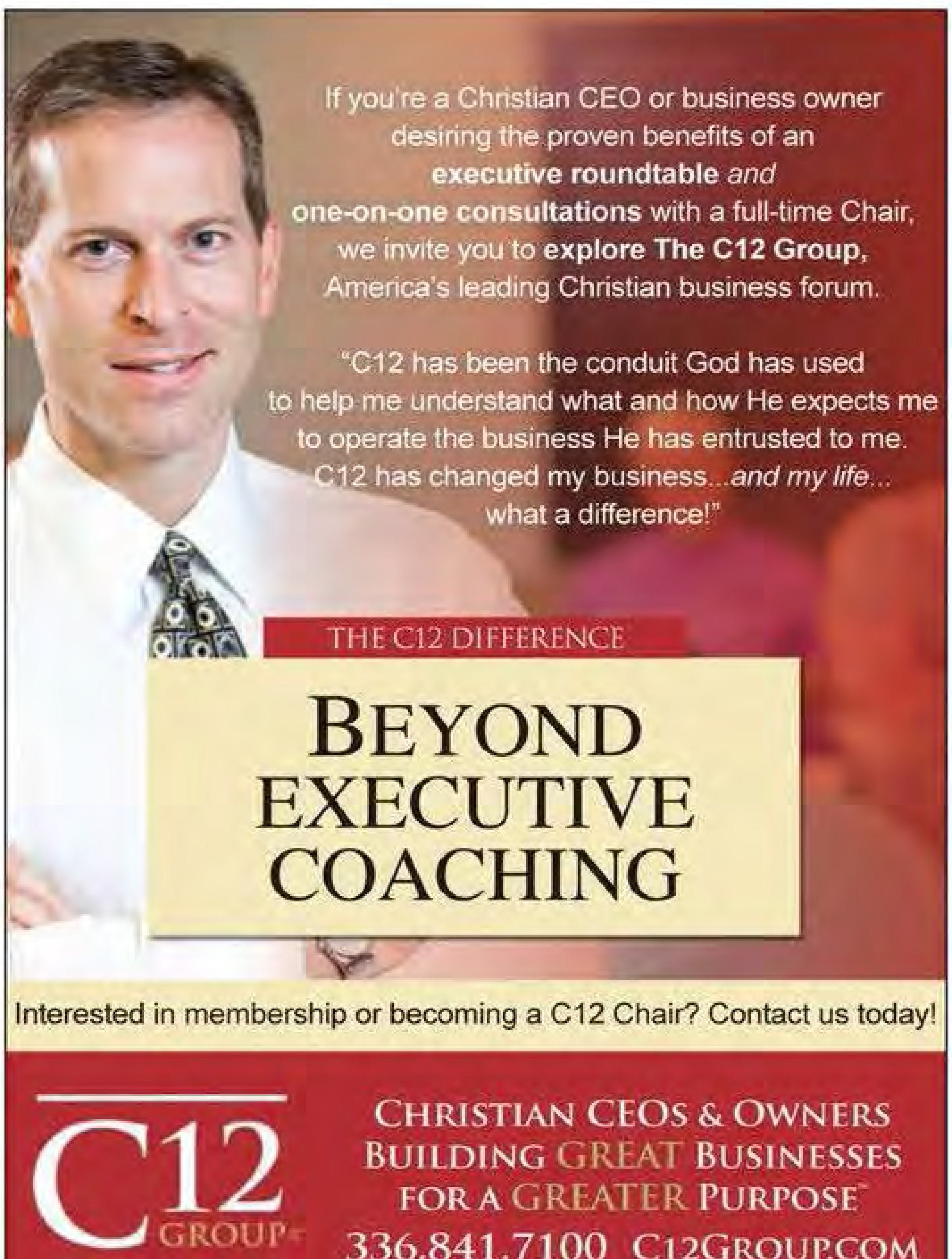
SENIORS Helping SENIORS®
The Power of Love®

Do good and make money.™
Join our unique franchise partnership.
E-mail us today!

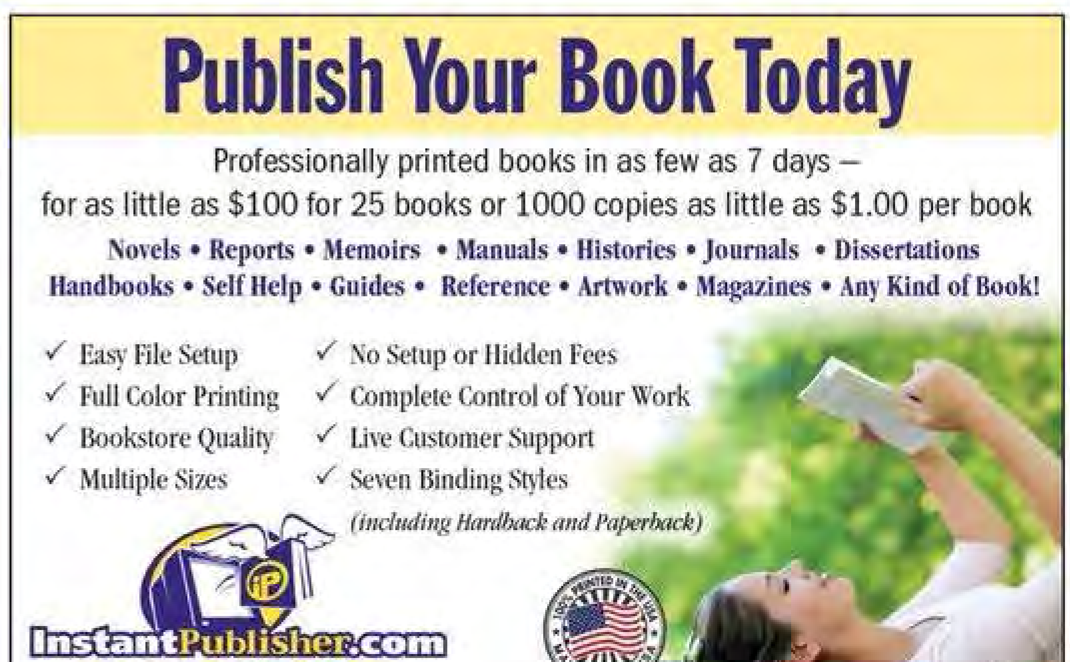
opportunities@seniorshelpingseniors.com

www.seniorshelpingseniors.com


The Writing On The Wall
Magnetic Steel
Whiteboard Wall Paneling
WhiteWalls.com
800 624 4154


If you're a Christian CEO or business owner desiring the proven benefits of an executive roundtable and one-on-one consultations with a full-time Chair, we invite you to explore The C12 Group, America's leading Christian business forum.
"C12 has been the conduit God has used to help me understand what and how He expects me to operate the business He has entrusted to me. C12 has changed my business...and my life... what a difference!"
THE C12 DIFFERENCE
BEYOND EXECUTIVE COACHING
Interested in membership or becoming a C12 Chair? Contact us today!
C12 GROUP
CHRISTIAN CEOs & OWNERS BUILDING GREAT BUSINESSES FOR A GREATER PURPOSE
336.841.7100 C12GROUP.COM


K1 SPEED
INDOOR KART RACING
ARRIVE & DRIVE
ADULTS & JUNIORS 48" & UP
PROFESSIONALLY DESIGNED TRACKS
K1SPEED.com | (888) K1-KARTS
LOCATIONS NATIONWIDE


Publish Your Book Today
Professionally printed books in as few as 7 days –
for as little as $100 for 25 books or 1000 copies as little as $1.00 per book
Novels • Reports • Memoirs • Manuals • Histories • Journals • Dissertations
Handbooks • Self Help • Guides • Reference • Artwork • Magazines • Any Kind of Book!
✓ Easy File Setup
✓ Full Color Printing
✓ Bookstore Quality
✓ Multiple Sizes
✓ No Setup or Hidden Fees
✓ Complete Control of Your Work
✓ Live Customer Support
✓ Seven Binding Styles
(including Hardback and Paperback)
InstantPublisher.com
1-800-259-2592
100% PRINTED IN THE USA
MADE IN THE USA

ADVERTISING

PRESS RELEASE WRITING and Targeted Newswire Distribution since 1983. Free SEO. Member BBB and Inc. 5000. www.Send2Press.com

ADVISORY SERVICES

FREE: DATA NETWORKING/ TELECOMMUNICATIONS CONSULTING
Seriously...the carriers pay our entire fee. Up to 20% savings for most clients. 19 years experience. Enterprise references. You won't be disappointed! **480-345-3333**.

AUTOMOTIVE

LUXURY-SPORTS-CLASSIC Autos & Hi End RVs - by owners. www.cacars.com Buyers/ Sellers 800-546-8457.

BUSINESS FINANCING

CASH FOR INVOICES! Accounts Receivable Financing to $2,000,000. Direct lender with offices nationwide. Call AeroFund Financial. Approvals by phone. www.aerofund.com 800-747-4234.

$50,000 - $250,000 In Unsecured BIZ Credit Lines. $50K guaranteed with 720+ FICO, stated income, perfect for startups, 60-second pre-approval. 1-866-988-SEED (7333). www.BusinessLoan.org

BUSINESS OPPORTUNITIES

HOMEBASED TRAVEL BUSINESS - Excellent income. Affordable opportunity. Includes travel website. www.TheTicketCounter.com

PRIVATE MONEY INVESTORS wanted for senior housing industry. 15% monthly residual income. Call 202-239-5997.

CREDIT PARTNERS EARN $100K. Must have 720 plus credit score. No money required period! $10K sign on bonus. 1-877-343-3482. www.720cfoprogram.com

iDealFurniture Broker
$200 - $3,000 profit per deal undercut your local "discount" stores on PerfectDreamer Mattress - Ashley Furniture. Low startup costs, financing available. **888-674-6688** or visit **www.iDealFurniture.org**

BUSINESS FITS: How To Find The Right Business For You! This book is a must read for anyone considering self-employment or a business investment. Available as a paperback or eBook on Amazon. Visit businessfits.com

BUILD/DUPLICATE MLM NETWORK with established vitamin company $16,000+/ month possible. 513-460-3535.

INCREASE YOUR INCOME - Personally or in your current business. To guarantee your success, we will send you our money making secrets CD absolutely free. For your free CD, contact 617-755-9276.

Your Ad Should Be Here!

Advertise your products, services and opportunities in Inc. Magazine's Classified Section!

727-507-7505
info@rpiclassifieds.com

BUSINESS OPPORTUNITIES

FREE HOME BUSINESS. Get paid a monthly residual income by giving away a free service! www.merchantaccountpaysyou.com/5

MOBILE MARKETING! Start a mobile company. BereanoPartners.com Josh - 206-250-6625.

BUSINESS SERVICES

EFFORTLESSLY MONITOR YOUR online reputation and reviews. 1-888-846-7848. www.YourProfitWeb.com

PAYROLL AND WORKERS COMPENSATION programs for franchises in US and Canada. MyFranchiseVendors.com 727-289-8893.

NEED MORE FUNDING for your business (without debt)? Our system builds your business credit and gets you the money you need to expand! www.FastBusinessCredit.com

BUSINESSES FOR SALE

PROFITABLE BUSINESSES with owner financing. All types, sizes, locations. 1-800-617-4204. Bizsale.com & efranchisesale.com

CAPITAL AVAILABLE

IMMEDIATE AND UNLIMITED CAPITAL
US $1M minimum, no maximum. Brokers, attorneys, deal-makers invited. Fees protected. **www.immediatecapital.com 301-494-3800**.

FINANCIAL SERVICES

WHY WAIT 30, 60 DAYS OR LONGER TO GET PAID?
Turn your Invoices into Immediate Cash
- Cash within 24 hours
- No term contracts to sign
- We assume the credit risk
- Bank to Bank transfer of funds

ADVANTAGE FUNDING CORP
1-800-241-CASH | WWW.ADVANTAGEFUNDING.COM

FRANCHISES

FRANCHISE YOUR BUSINESS
30 years experience. National Franchise Associates, Inc. **770-945-0660**.

LEARN THE SECRET TO
FRANCHISING YOUR BUSINESS IN 90 DAYS.
Visit
90DayFranchiseLaunchProgram.com
or call **800-976-4904**

NATIONAL LIGHTING FRANCHISE has outdoor lighting franchises for sale in protected top-tier cities. www.NiteLites.com

GHOST WRITER AVAILABLE

ARE YOU AN ACCOMPLISHED Entrepreneur or CEO wanting to write (or finish) your business book or memoir? Then stop procrastinating. Create your legacy now with the help of a top flight ghostwriter. Email me at Jverney@corporatestoryteller.ca for a free consultation. Or visit my website: www.corporatestoryteller.ca

BUSINESS SERVICES

Incorporate
for as little as **$99**
Visit www.incorporate.com or call 800-450-7458

THE COMPANY CORPORATION
INCORPORATING WHAT'S RIGHT FOR YOU

BUSINESS SERVICES

Answering Service
For as little as **$30**/month
14 DAY **FREE** TRIAL | 24-7-365
Visit **www.888GOANSWER.com**
or call **888-462-6793**

1-888-GO-ANSWER
GO ANSWER
You Call. We Answer.

MONEYMAKING OPPORTUNITIES

WINNING STOCK PICKS! We do in-depth research so you don't have to! www.ProfitZonePress.com

TRAVEL

"EXPEDIA QUOTED $3,365.46" during peak travel season, I paid $799. www.Cheap5StarTravel.com

Get Results in Inc. Magazine's Classified Section!

Rates: The word rate is $13.95 per word for one issue, $13.25 per word, per issue for three prepaid issues. Minimum ad is twelve words. The display rate is $975 per column inch for one issue. Inc. Magazine's paid circulation is 700,000.

Inc. Magazine is published 10 times a year, monthly with the December/January and July/August issues combined. The closing date is on the 1st of the month, two months prior to cover date. The next available issues are the April issue which closes on Monday, February 3rd and the May issue which closes on Monday, March 3rd. **Place your ad online at www.rpiclassifieds.com**

Order Form

Insert my ad in the next available issue, place my ad under the heading ____________. Enclosed is my check for $ ________ to cover full payment of my ad. For credit card orders, please include card number, expiration date, the amount you authorize to be charged, the security number as well as an authorized signature.

Company Name ____________________

Contact Name ____________________

Address ____________________

City __________ State ______ ZIP ______

Telephone __________ Email __________

Ad Copy ____________________

Inc. Magazine, Classified Department
P.O. Box 570, Clearwater, FL 33757
727-507-7505 • info@rpiclassifieds.com • www.rpiclassifieds.com

Marc Ecko

This fashion mogul may have created a billion-dollar business, but being the boss still doesn't come easy

By **ISSIE LAPOWSKY** Photograph by **EDWIN TSE**

CULTURE COUNTS
Marc Ecko believes in letting employees "own the vibe" of what they create: "That becomes your culture."

How do you measure success?
Quantitatively and qualitatively. It's not an exact science, but typically when people (your team and customers) are happy, you're successful.

What's one rookie mistake you made early on?
I still make them. You make rookie mistakes your entire career—hopefully just less frequently. One big one seems to be having too much pride and hubris. They can mess you up.

What was the hardest lesson you learned in your first year of business?
Learning to fire someone. It sucks. Trump makes it look so easy. Unless an employee is robbing you, it is never really that easy.

What's the toughest part of being in charge?
Being in charge. You are accountable for people, places, and things. It's full contact. It is also the greatest part of the gig, because it builds character and muscle.

What's one skill you want to improve upon, personally?
Math.

What's the best motivator for employees?
Authorship. Let them own the vibe of what they are creating. Celebrate it, quirks and all.

Whom do you admire most as a business leader?
Anyone with authenticity, especially my twin sister [and business partner], Marci [Tapper]. She is compassionate yet firm. She knows how to motivate you while keeping your feet on the ground and your head based in reality. She is an unsung hero.

Gut instinct versus expertise: Which is more important, and why?
That's like asking "peanut butter or chocolate?" There is no adequate answer, so I'm not even going to try that one.

SCAN THE PAGE TO WATCH MARC ECKO DISCUSS OVERCOMING UNCERTAINTY. (See page 14 for details.) For the Founders Forum video with *Inc.*'s Scott Gerber, go to *www.inc.com/founders-forum.*

INTRODUCING
A CAMERA AS
RUGGED
AS YOU ARE.
The rugged and revolutionary Olympus OM-D E-M1. No matter where life's adventures take you, the Olympus OM-D E-M1 can always be by your side. Its magnesium alloy body is dustproof, splashproof, and freezeproof, so it'll survive the harshest of conditions. And the super-fast and durable 1/8000s mechanical shutter and 10 fps sequential shooting will capture your entire journey exactly the way you experienced it.
www.getolympus.com/em1
OLYMPUS
Capture your stories.
• One of the smallest and lightest bodies in its class at 17.5 ounces*
• Built-in Wi-Fi
• Full system of premium, interchangeable lenses
*E-M1 body only
"The OM-D lets me get great shots because it's rugged and durable. In this shot, I was shooting when the dust was the thickest because it enhanced the light. I even changed lenses and I've yet to have a dust problem with my OM-D system."
-Jay Dickman, Olympus Visionary
Shot with an OM-D, M.Zuiko ED 75-300mm f4.8-6.7 II
You Tube
OM-D
E-M1
ZUIKO
LENS SYSTEMS
Move into a New World